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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

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**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

In the matter of Application Serial No.: 85/806,379

Filed: December 19, 2012

For the mark: HOLAIRA

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Boston Scientific Corporation and
Asthmatx, Inc.

Opposition No. 91215699

Opposers,

v.

**HOLAIRA, INC.'S
NON-CONFIDENTIAL TRIAL BRIEF**

Holaira, Inc.

Applicant.

Dated: November 17, 2015

Respectfully submitted,

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INTRODUCTION

Boston Scientific, Inc. and Asthmatx, Inc.'s ("Opposers") opposition to Holaira, Inc.'s ("Applicant") application to register the mark HOLAIRA must be dismissed. The opposition is based on a faulty argument that customers may find the HOLAIRA mark (used as Applicant's company name and on its medical device) to be confusingly similar to Opposers' ALAIR mark (used on Opposers' medical device and for training related to that medical device). Opposers' arguments, however, are not supported by the record. To the contrary, the record demonstrates that when the relevant *DuPont* factors are considered no likelihood of confusion exists between HOLAIRA and ALAIR.

As a threshold matter, the marks are not similar in sound or appearance, making confusion highly unlikely. The marks have different beginnings and endings and are pronounced with clear differences. For example, any consumer will readily recognize the difference in pronunciation between HOL (pronounced Whole as in holistic) and the beginning "A" of Opposers' mark. Further, the marks have a different number of syllables making the difference in sound apparent. Moreover, the principal similarity between the marks—the inclusion of the letter string AIR—is an element common to many other marks for related goods and services and, [REDACTED], is highly suggestive or descriptive of respiration or the ability to breathe air. In fact, because of the [REDACTED] inherent weakness of the ALAIR mark, Opposers focus their marketing efforts on the name of the medical procedure in which its device is used—"bronchial thermoplasty"—rather than ALAIR. Accordingly, the slight similarity between the marks (the inclusion of the descriptive term AIR) is not a legitimate basis on which to rest a finding of likelihood of confusion.

Beyond the lack of similarity, the relevant customers for Applicant's and Opposers' goods are highly sophisticated physicians—specialized subsets of pulmonologists—who receive

detailed company-sponsored training on the goods prior to purchasing. The goods offered or to be offered under the ALAIR and HOLAIRA marks are sophisticated medical devices used in two different medical procedures to treat different respiratory conditions. The medical device sold under the ALAIR mark is used by specially-trained pulmonologists in a procedure called “bronchial thermoplasty” to treat patients with severe asthma. The medical device that will be sold under the HOLAIRA mark is used by specially-trained interventional pulmonologists in a procedure called “targeted lung denervation” to treat emphysema and chronic bronchitis. Under Federal law, both Applicant’s and Opposers’ devices can be purchased only by or on the order of a qualified physician. In addition, prior to purchasing the product, the purchasing physician is required to undergo rigorous training provided directly by an employee (often a sales representative) of the manufacturer. The sophistication of these customers and the fact that training on the product from the manufacturer itself is required prior to purchase negates the possibility of any confusion. Indeed, although Opposers completely ignore these facts in their brief, the sophistication of the customers and involved purchase process are dispositive and make clear that the Opposition must be dismissed.

Accordingly, for the reasons set forth in more detail below, the Board should dismiss the opposition and allow the HOLAIRA mark to register.

SUMMARY OF THE RECORD

Opposers accurately set forth the record before the Board with four exceptions. First, as detailed more fully in Applicant’s Response to Opposers’ Evidentiary Objections and Applicant’s Objections to Opposers’ Evidence (“Applicant’s Objections Brief”) (Dkt. No. 31), Opposers’ “rebuttal” evidence is not proper rebuttal and merely consists of information that Opposers should have submitted in their case-in-chief. (Applicant’s Objections Br. at 24–29.) Accordingly, Opposers’ “rebuttal” submissions (Dkt. Nos. 23–25) are not properly part of the

record. Second, much of the evidence and testimony relied on by Opposers is inadmissible for the reasons set forth in Applicant's Objections Brief. (Applicant's Objections Br. at 19–24, 29–32.) Accordingly, numerous exhibits and testimony cited by Opposers (Dkt. No. 12, Opposers' Exs. 18–25; Dkt. No. 22, Passafaro Tr. at 56:7–57:2; 57:16–19; Dkt. No. 23, Opposers' Exs. 68–72; Dkt. No. 25, Opposers' Exs. 74–77; Dkt. No. 29, Wahr Ex. 7) are inadmissible and not properly part of the record. Third, Opposers' objections to Applicant's evidence are without merit as more fully explained in Applicant's Objections Brief. Accordingly, the evidence submitted by Applicant identified in Opposers' Objections to Applicant's Evidence, including evidence of third-party registrations and use, Opposers' own trademark search, and Opposers' branding analysis, is properly before the Board. Fourth, the testimony of Dr. Dennis Wahr, M.D. and the related exhibits are on file with the Board. (Dkt. 29.)

STATEMENT OF THE ISSUES

Whether Opposers have proven a likelihood of confusion between ALAIR and HOLAIRA—two marks that: (1) are dissimilar in sound and appearance; (2) are only similar in the use of the highly suggestive or descriptive use of “AIR,” which is highly diluted through similar third-party use; and (3) are used on expensive medical devices that are only available for purchase by or on the order of highly skilled physicians who have successfully undergone extensive training directed by the manufacturer's sales representatives and employees.

FACTUAL BACKGROUND

I. THE PRODUCTS AND MARKS AT ISSUE.

The products sold under the parties' respective marks are novel medical devices used in medical procedures. (Dkt. No. 20, Applicant's Exs. 93, 95; Dkt. No. 29, Wahr Tr. at 14:16–17:20; 20:4–27:6.) Both parties' products are considered “Class III” medical devices by the FDA. (Dkt. No. 22, Passafaro Tr. at 140:6–141:2; Dkt. No. 29, Wahr Tr. at 28:18–20; 52:8–

53:1.) Accordingly, the products are required to undergo significant testing and clinical trials prior to being approved for sale. (Dkt. No. 22, Passafaro Tr. at 140:6–141:2; Dkt. No. 29, Wahr Tr. at 49:11–53:1.) In addition, like all Class III medical devices, once available for sale, the manner of promotion and sale is restricted by the FDA. (Dkt. No. 22, Passafaro Tr. at 140:6–141:2; Dkt. No. 29, Wahr Tr. at 69:5–22; 61:16–64:3.)

Opposers' device, a medical device used in a procedure called "bronchial thermoplasty" (a procedure name coined by Opposers), is approved by the FDA for use in treating asthma in patients with severe asthma not adequately controlled by medication. (Dkt. No. 22, Passafaro Tr. at 17:13–19; Dkt. No. 20, Applicant's Exs. 83, 84.) The bronchial thermoplasty procedure is performed by a specially trained pulmonologist in a hospital or clinic. (Dkt. No. 20, Applicant's Ex. 95; Dkt. No. 22, Passafaro Tr. at 89:2–25.) During the procedure, the device is inserted into the patient's lungs and radio-frequency energy is used to heat the smooth muscle within the lungs. (Dkt. No. 20, Applicant's Exs. 83, 84.) The purpose of heating the smooth muscle is to reduce the amount of smooth muscle, thereby reducing the ability of the airway wall to contract during an asthma attack. (Dkt. No. 20, Applicant's Exs. 83, 84.) For complete treatment, three treatments with Opposers' device are required with physician follow-up between procedures. (Dkt. No. 20, Applicant's Ex. 95.) The device consists of a reusable control unit that Opposers sell for [REDACTED] and a single use catheter that sells for approximately [REDACTED]. (Dkt. No. 18, Applicant's Ex. 79.)

Applicant's device is used in a procedure called targeted lung denervation, which is a different medical procedure than bronchial thermoplasty. (Dkt. No. 29, Wahr Tr. at 14:8–20:3; 91:25–93:3; 95:2–96:3.) Applicant's device is not approved for sale in the United States by the FDA; however, Applicant is seeking approval for sale for the treatment of severe emphysema

and chronic bronchitis. (*Id.* at 18:11–19:21; 49:11–53:4; 82:16–24; 85:17–22; 98:19–101:2.) Applicant is not currently seeking, and has no plans to seek, approval for use to treat asthma. (*Id.* at 86:6–21.) Applicant’s device will be used by interventional pulmonologists in targeted lung denervation procedures. (*Id.* at 20:4–22:15.) During the procedure, the device is inserted into the patient’s main-stem bronchus, which, anatomically, is before entry into the lungs. (*Id.* at 14:16–18:10.) When in the bronchus, cooled radio-frequency energy is used to ablate the nerve input into the lungs by inhibiting the neurotransmitter acetylcholine. (Dkt. No. 14, Opposers’ Exs. 30, 35.) This procedure works by disrupting overactive nerves, causing the smooth muscle to relax, but has no direct impact on the smooth muscle. (Dkt. No. 14, Opposers’ Ex. 35; Dkt. No. 29, Wahr Tr. at 91:25–92:12.) The device consists of a reusable control unit and a single use catheter. (Dkt. No. 29, Wahr Tr. at 64:14–65:6.) Applicant anticipates the sale price to be around [REDACTED]. (*Id.*)

Although the same highly trained physicians can use both technologies, the technologies are not interchangeable as suggested by Opposers. The devices are not designed to do the same thing. Opposers’ device is designed to reduce, debulk, or eliminate the amount of smooth muscle in the lung, whereas Applicant’s device has no impact on the smooth muscle itself. (Dkt. No. 29, Wahr Tr. at 91:25–92:12.) Rather, Applicant’s device ablates nerves that are outside the lungs. (Dkt. No. 29, Wahr Tr. at 14:16–18:10; Dkt. No. 14, Opposers’ Ex. 30, 35.) Furthermore, although both devices use radio-frequency energy, the method and purpose is different. Opposers’ device uses the RF energy to create heat, whereas Applicant’s device specifically uses cooled RF energy. (Dkt. No. 20, Applicant’s Exs. 83–84; Dkt. No. 14, Opposers’ Exs. 30, 35.) Applicant’s device could not be used to perform bronchial thermoplasty and Opposers’ device could not be used to perform targeted lung denervation.

II. THE CUSTOMER AND SALES PROCESS.

The customers for Opposers' product and Applicant's product are specially-trained physicians—pulmonologists or interventional pulmonologists.¹ In fact, the FDA requires that Opposers' product (like all other Class III medical devices) only be purchased "on the order of a physician." (Dkt. No. 20, Applicant's Exs. 83, 84; Dkt. No. 22, Passafaro Tr. at 92:10–93:25.) If Applicant's product is approved for sale in the United States by the FDA, the same restriction will apply. (Dkt. No. 29, Wahr Tr. at 69:5–22; 58:12–59:23.) Although Opposers now argue, without merit, that a potential customer of their product is a patient,² Opposers admit that physicians are both the gatekeeper to obtain the product and the user of the product—not the patient.³ (Dkt. No. 22, Passafaro Tr. at 92:10–93:25, 88:4–91:19.)

In addition, the FDA places restrictions on how Opposers market and sell their product (Dkt. No. 22, Passafaro Tr. at 140:6–9) and not just any pulmonologist can purchase Opposers' product. Only pulmonologists who are "experienced in bronchoscopy" and complete a company-sponsored training program are eligible to purchase Opposers' product. (Dkt. No. 22, Passafaro Tr. at 88:4–91:19; Dkt. No. 20, Applicant's Ex. 93.) Opposers' company-sponsored training program, which is required prior to purchase, includes:

- Review of the Alair System Catheter Directions for Use and Controller Operator's Manual;

¹ Opposers claim that their product may be used by specially trained pulmonologists, but need not be "interventional pulmonologists." (Dkt. No. 22, Passafaro Tr. at 88:4-91:19.) Applicant's product will be available for use by interventional pulmonologists, a sub-specialty within pulmonology. (Dkt. No. 29, Wahr Tr. at 58:10-23.)

² Applicant does not intend to market directly to patients. (Dkt. No. 29, Wahr Tr. at 104:6-105:24.) Rather the target market consists of interventional pulmonologists. (*Id.*) To the extent Opposer markets directly to patients, Opposer focuses its efforts on "bronchial thermoplasty" or "BT," not the ALAIR mark. (*See infra* at 17.)

³ No implant is left in the patient as a result of the procedure.

- Guided didactic instruction in computer simulation-based Bronchial Thermoplasty Learning Center;
- Detailed in-service training of the Alair System; and
- Hands-on training with Alair System in a lung model prior to initial cases.

(Dkt. No. 20, Applicant's Ex. 93.) These "guided," "detailed," and "hands-on" training steps are facilitated by and performed with Opposers' sales representatives. (Dkt. No. 22, Passafaro Tr. at 126:8-128:7.) The training on using the product continues even after purchase. Opposers require "proctoring of initial cases by Boston Scientific Health Care Industry Representatives." (*Id.*; Dkt. No. 20, Applicant's Ex. 93.) As is standard for the sale or use of Class III medical devices, Applicant intends to employ a similar training program once its device is approved for sale by the FDA. (Dkt. No. 29, Wahr Tr. at 58:12-23; 59:20-23 ("You know, what is the training qualifications, you know, for a person to be able to use the device. Those are defined as part of a product being approved by the FDA."); 61:16-64:3 ("[T]here will be a requirement that comes in at the time of approval by the FDA for when the product goes commercial will be a specific designation for how many cases after completing the training program a physician has to be proctored before he can really be turned loose, you know, to just do these cases in an unsupervised fashion.").)

Along with the training, Opposers sell their product through a company-owned direct sales force. (Dkt. No. 22, Passafaro Tr. at 34:10–12 (“We’ve got a direct sales force in the United States, so they’re working directly with the physicians, educating them.”); 15:13–14

101:17–102:8.) The sales representatives are expected to make and leverage personal relationships with their pulmonologist-customers in making sales. (Dkt. No. 22, Passafaro Tr. at 101:17–102:8.) Applicant’s product will be sold in the same manner, using a

company-owned direct sales force making sales to physicians with whom the sales representative has a relationship. (Dkt. No. 29, Wahr Tr. at 59:24–60:25; 67:20–68:19.)

III. THE ALAIR MARK IS [REDACTED] WEAK.

A. The Term AIR In The ALAIR Mark Is Highly Suggestive Or Descriptive And Widely Used For Related Goods.

A principal portion of the ALAIR mark—AIR—is shared by numerous marks for goods related to the treatment of respiratory conditions or breathing (“respiratory treatments”).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

This observation regarding the inherent weakness of the ALAIR mark is consistent with the number of registered marks for goods or services related to respiratory treatments that contain the letter string AIR or LAIR (or the phonetic equivalents). The table below identifies 44 marks that share the key AIR component with the ALAIR mark:⁴

<u>MARK</u>	<u>EXHIBIT NUMBER</u>	<u>REGISTRATION NUMBER</u>	<u>GOODS/SERVICES</u>	<u>EVIDENCE OF USE</u>
ADVAIR	1	2628568	“[P]harmaceutical preparations and substances for the treatment and/or alleviation of respiratory ailments.” (Dkt. No. 17, Applicant’s Ex. 1.)	47, 48
ADVAIR DISKUS	2	2505137	“Inhalers filled with pharmaceutical preparations for the treatment and alleviation of respiratory ailments.” (Dkt. No. 17, Applicant’s Ex. 2.)	47, 48
AEROBID	3	1347122	“PHARMACEUTICAL PREPARATIONS- NAMELY, STEROID.” (Dkt. No. 17, Applicant’s Ex. 3.)	
AIR GUARD	4	3548868	“[R]espiratory masks for non-medical [and] medical purposes.” (Dkt. No. 17, Applicant’s Ex. 4.)	52, 53, 59
AIRDELA	5	4028722	“Pharmaceutical preparations for treating respiratory diseases, supplied in pre-filled	

⁴ See also “Nebulair” aerosol therapy. (Dkt. No. 18, Applicant’s Ex. 54.)

<u>MARK</u>	<u>EXHIBIT NUMBER</u>	<u>REGISTRATION NUMBER</u>	<u>GOODS/SERVICES</u>	<u>EVIDENCE OF USE</u>
			inhalers.” (Dkt. No. 17, Applicant’s Ex. 5.)	
AIREGO	6	4571015	“Medical apparatus and instruments for the prevention and treatment of diseases of the respiratory tract.” (Dkt. No. 17, Applicant’s Ex. 6.)	
AIRFEV	7	4330882	“Pharmaceutical preparations for the treatment of . . . respiratory diseases.” (Dkt. No. 17, Applicant’s Ex. 7.)	
AIRFIT	8	4569784	“Respiratory masks for medical purposes [and] [h]eadgear for medical respiratory masks.” (Dkt. No. 17, Applicant’s Ex. 8.)	63
AIRFLUSOL	9	4277894	“Pharmaceutical preparations, namely bronchodilating and anti-asthma preparations.” (Dkt. No. 17, Applicant’s Ex. 9.)	60, 61, 67
AIRGEL	10	4619361	“[S]eal for respiratory masks used in the treatment of sleep apnea and other respiratory disorders.” (Dkt. No. 17, Applicant’s Ex. 10.)	62
AIRLIFE	11	3150546	“Respiratory therapy products.” (Dkt. No. 17, Applicant’s Ex. 11.)	69, 70

<u>MARK</u>	<u>EXHIBIT NUMBER</u>	<u>REGISTRATION NUMBER</u>	<u>GOODS/SERVICES</u>	<u>EVIDENCE OF USE</u>
AIRSTAT	12	2446249	"[A]irway respiratory catheters." (Dkt. No. 17, Applicant's Ex. 12.)	
AIRWATCH	13	2006677	"[E]lectronic respiratory monitors." (Dkt. No. 17, Applicant's Ex. 13.)	72
ALERE	14	2659940	"[M]edical monitoring apparatus used to monitor and communicate . . . measurements of respiratory function in patients with chronic diseases such as asthma, diabetes, obesity, chronic hypertension, chronic renal disease and chronic obstructive pulmonary disease." (Dkt. No. 17, Applicant's Ex. 14.)	50
ASPIRAIR	15	4004421	"Pharmaceutical preparations, sold both within inhalers and in other forms, for the prevention or treatment of diseases or conditions of the respiratory and cardiovascular systems . . . [including] chronic obstructive pulmonary disease . . . [and] asthma." (Dkt. No. 17, Applicant's Ex. 15.)	

<u>MARK</u>	<u>EXHIBIT NUMBER</u>	<u>REGISTRATION NUMBER</u>	<u>GOODS/SERVICES</u>	<u>EVIDENCE OF USE</u>
CAIRE	16	4163421	"[M]edical respiratory equipment." (Dkt. No. 17, Applicant's Ex. 16.)	68
CAIRE	17	4163422	"[M]edical respiratory equipment." (Dkt. No. 17, Applicant's Ex. 17.)	68
CIRCULAIRE	18	2144663	"[M]edical apparatus, namely, aerosol products comprising delivery tubes, nebulizers and reservoir bags for use in delivering pharmaceutical preparations in the form of inhalants." (Dkt. No. 17, Applicant's Ex. 18.)	51
GENUAIR	19	4090022	"Inhalers . . . for the treatment of respiratory diseases; medical devices for the treatment of respiratory diseases, namely, medical apparatus for diagnosing or treating respiratory conditions." (Dkt. No. 17, Applicant's Ex. 19.)	66, 71
HUMIDAIRE	20	2386753	"[A]pparatus for artificial respiration, . . . respiratory masks and mask filters for medical use, . . . [and] humidifiers for use with a respiratory apparatus." (Dkt. No. 17, Applicant's Ex. 20.)	64, 65

<u>MARK</u>	<u>EXHIBIT NUMBER</u>	<u>REGISTRATION NUMBER</u>	<u>GOODS/SERVICES</u>	<u>EVIDENCE OF USE</u>
MAXAIR	21	1523151	"PHARMACEUTICAL PREPARATION FOR THE TREATMENT OF BRONCHOSPASM." (Dkt. No. 17, Applicant's Ex. 21.)	49
MAXAIR	22	3208459	"Pharmaceutical preparations, namely, bronchodilators for treating respiratory conditions such as bronchospasm and asthma." (Dkt. No. 17, Applicant's Ex. 22.)	49
NUAIR	23	3547148	"Pharmaceutical preparations for the treatment of respiratory diseases. . . . Inhalers for medical purposes." (Dkt. No. 17, Applicant's Ex. 23.)	
NUAIR	24	4675553	"Pharmaceutical preparations for treating respiratory diseases, supplied in pre-filled inhalers. . . . Inhalers for medical purposes." (Dkt. No. 17, Applicant's Ex. 24.)	
PILAIRO	25	4148736	"Respiratory apparatus for medical purposes[,] . . . breathing masks for use in treating obstructive sleep apnea." (Dkt. No. 17, Applicant's Ex. 26.)	55, 73

<u>MARK</u>	<u>EXHIBIT NUMBER</u>	<u>REGISTRATION NUMBER</u>	<u>GOODS/SERVICES</u>	<u>EVIDENCE OF USE</u>
PRESSAIR	26	4298420	“Pharmaceutical preparations for the treatment of respiratory diseases . . . [and] [i]nhalers.” (Dkt. No. 17, Applicant’s Ex. 26.)	74
PROAIR HFA (ALBUTEROL SULFATE) INHALATION AEROSOL	27	4424929	“Inhalers . . . for the treatment of respiratory diseases.” (Dkt. No. 17, Applicant’s Ex. 27.)	45
PROAIR HFA (ALBUTEROL SULFATE) INHALATION AEROSOL	28	4424933	“Inhalers . . . for the treatment of respiratory diseases.” (Dkt. No. 17, Applicant’s Ex. 28.)	45
PROAIR HFA (ALBUTEROL SULFATE) INHALATION AEROSOL THE DIFFERENCE IS IN THE DESIGN	29	4425711	“[P]roviding information online concerning the treatment of respiratory diseases.” (Dkt. No. 17, Applicant’s Ex. 29.)	45
PROAIR HFA (ALBUTEROL SULFATE INHALATION AEROSOL	30	4720391	“Inhalers for therapeutic use sold empty.” (Dkt. No. 17, Applicant’s Ex. 30.)	45
PROAIR HFA (ALBUTEROL SULFATE) INHALATION AEROSOL	31	4720392	“Inhalers for therapeutic use sold empty.” (Dkt. No. 17, Applicant’s Ex. 31.)	45

<u>MARK</u>	<u>EXHIBIT NUMBER</u>	<u>REGISTRATION NUMBER</u>	<u>GOODS/SERVICES</u>	<u>EVIDENCE OF USE</u>
PULMONAIRE	32	874778	“SPIROMETERS FOR USE IN DIAGNOSING PULMONARY DISORDERS.” (Dkt. No. 17, Applicant’s Ex. 32.)	75
QUATTRO AIR	33	4530535	“Respiratory masks for medical purposes and . . . headgear for medical respiratory masks.” (Dkt. No. 17, Applicant’s Ex. 33.)	76
SINGULAIR	34	2048127	“[P]harmaceutical preparations for the treatment of respiratory disorders.” (Dkt. No. 17, Applicant’s Ex. 34.)	56
SYLVAIR	35	4069614	“Inhalers . . . for prevention, treatment, and/or alleviation of respiratory diseases and disorders.” (Dkt. No. 17, Applicant’s Ex. 35.)	
TUDORZA PRESSAIR	36	4490481	“Pharmaceutical preparations for the treatment of respiratory system diseases,” and “[i]nhalers.” (Dkt. No. 17, Applicant’s Ex. 36.)	74
VENTILAIR	37	1566967	“MEDICAL AIR COMPRESSOR FOR RESPIRATORY THERAPY.” (Dkt. No. 17, Applicant’s Ex. 37.)	57
VITALAIRE	38	3882720	“Medical apparatus for treating chronic pathologies,” “airway	58

<u>MARK</u>	<u>EXHIBIT NUMBER</u>	<u>REGISTRATION NUMBER</u>	<u>GOODS/SERVICES</u>	<u>EVIDENCE OF USE</u>
			management,” “oxygen therapy, [and] airway ventilation. . . . Health services . . . for providing . . . treatment of respiratory failure.” (Dkt. No. 17, Applicant’s Ex. 38.)	
VITALAIRE	39	4654916	“Medical apparatus for oxygen concentration for medical purposes. . . . Home health care services for . . . respiratory disease treatment.” (Dkt. No. 17, Applicant’s Ex. 39.)	58
XOLAIR	40	2678068	“[P]harmaceutical preparations for use in the treatment of rhinitis.” (Dkt. No. 17, Applicant’s Ex. 40.)	46
XOLAIR	41	2707154	“[P]harmaceutical preparations for use in the treatment of rhinitis.” (Dkt. No. 17, Applicant’s Ex. 41.)	46
XOLAIR	42	2998978	“[P]harmaceutical preparations for use in the treatment of asthma.” (Dkt. No. 17, Applicant’s Ex. 42.)	46
XOLAIR	43	3086141	“[P]harmaceutical preparations for the treatment of IgE-mediated disorders.” (Dkt. No. 17, Applicant’s Ex. 43.)	46

<u>MARK</u>	<u>EXHIBIT NUMBER</u>	<u>REGISTRATION NUMBER</u>	<u>GOODS/SERVICES</u>	<u>EVIDENCE OF USE</u>
ZENUAIR	44	3623195	"Pharmaceutical preparations for the treatment of respiratory diseases." (Dkt. No. 17, Applicant's Ex. 44.)	

Furthermore, based on Opposers' own trademark search, Opposers were aware of the ubiquitous use of AIR, LAIR, and the phonetic equivalents in marks for goods or services related to respiratory treatments prior to attempting to register the ALAIR mark. (Dkt. No. 20, Applicant's Ex. 97; Dkt. No. 22, Passafaro Tr. at 67:2–78:16, Passafaro Applicant's Ex. 1.) Despite the knowledge of these other third-party marks, Opposers sought registration of the ALAIR mark.

B. Opposers' Marketing Focuses On Bronchial Thermoplasty Rather Than ALAIR, Demonstrating Opposers' Conclusion That The Mark Is Commercially Weak.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] For example, save for a few instances of using the ALAIR mark, Opposers' website (located at btforasthma.com rather than alair.com) focuses almost exclusively on the phrase "bronchial thermoplasty" or "BT." (Dkt. No. 22, Passafaro Tr. at 155:8–156:15, Passafaro Applicant's Exs. 6–15; Dkt. No. 20, Applicant's Exs. 85–94.) For the most part, ALAIR use is limited to fine-print legal disclaimers at the bottom of the webpage. (*Id.*) Similarly, Opposers' patient testimonials and physician testimonials focus on "bronchial

thermoplasty” and only use ALAIR in a small-print disclaimer at the end of the videos.⁵(See, e.g., Dkt. No. 22, Passafaro Tr. at 119:13–120:20, Passafaro Applicant’s Exs. 13–14; Dkt. No. 20, Applicant’s Exs. 91–92.)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

ARGUMENT

I. LEGAL STANDARD.

Likelihood of confusion is an issue of fact. *David Sherman Corp. v. Heublein, Inc.*, 340 F.2d 377, 380, 144 U.S.P.Q. 249 (8th Cir. 1965). Contrary to Opposers’ intimations, “it is, of course, [O]pposer[s’] burden to establish by a clear preponderance of the evidence that the claimed likelihood of confusion, mistake or deception exists . . .” *Elec. Realty Assocs., Inc. v. Kayser-Roth Corp.*, 216 U.S.P.Q. 61, 63 (T.T.A.B. 1982) (emphasis added); *see also David Sherman*, 340 F.2d at 380, 144 U.S.P.Q. 249. Mere possibility of confusion will not prevent registration.

The applicable legal standard for a determination of likelihood of confusion under Section 2(d) of the Lanham Act is based on an analysis of all the probative facts in evidence

⁵ Although Opposers argue that these testimonials support their argument regarding the strength of the ALAIR mark, Opposers (who bear the burden of proof) failed to make the actual testimonials part of the record. Factual statements made in a party’s brief on the case can be given no consideration unless they are supported by evidence properly introduced at trial. TBMP 704.06(b); *Kellogg Co. v. Pack’Em Enter. Inc.*, 14 U.S.P.Q.2d 1545, 1547 n.6 (T.T.A.B. 1990); *BL Cars Ltd. v. Puma Industria de Veiculos S/A*, 221 U.S.P.Q. 1018, 1019 (T.T.A.B. 1983).

relevant to the factors bearing on likelihood of confusion. *In re E.I. DuPont de Nemours & Co.*, 476 F.2d 1357, 1361, 177 U.S.P.Q. 563 (C.C.P.A. 1973). No one *DuPont* factor is dispositive and the emphasis placed on each factor may vary depending on the circumstances of the case.⁶*Id.*

The *DuPont* factors most relevant to the likelihood of confusion analysis in this matter are: (1) the dissimilarity of the marks; (2) the conditions under which sales are made and the buyers to whom sales are made; (3) the lack of renown of Opposers' mark; (4) the number and nature of similar marks in use on similar goods; and (5) the lack of any actual confusion or potential for confusion. When these factors are considered, Opposers have not proved—and cannot prove—a likelihood of confusion. Accordingly, the Board must dismiss this opposition.

II. THE MARKS DO NOT MAKE A SIMILAR COMMERCIAL IMPRESSION.

The first *DuPont* factor requires examination of the similarity or dissimilarity of the marks in their entirety as to appearance, sound, and connotation. *DuPont*, 476 F.2d at 1361,

⁶ The *DuPont* factors are:

- (1) The similarity or dissimilarity of the marks in their entirety as to appearance, sound, connotation and commercial impression.
- (2) The similarity or dissimilarity of the nature of the goods or services as described in an application or registration or in connection with which a prior mark is in use.
- (3) The similarity or dissimilarity of established, likely to continue channels of trade.
- (4) The conditions under which and buyers to whom sales are made, i.e. "impulse" vs. careful, sophisticated purchasing.
- (5) The fame of the prior mark.
- (6) The number and nature of similar marks in use on similar goods.
- (7) The nature and extent of any actual confusion.
- (8) The length of time during and conditions under which there has been concurrent use without evidence of actual confusion.
- (9) The variety of goods on which a mark is or is not used (house mark, "family" mark, product mark).
- (10) The market interface between applicant and the owner of a prior mark.
- (11) The extent to which applicant has a right to exclude others from use of its mark on its goods.
- (12) The extent of potential confusion, i.e., whether de minimis or substantial.
- (13) Any other established fact probative of the effect of use.

177 U.S.P.Q. 563. As discussed in greater detail below, Opposers' mark and Applicant's mark are highly dissimilar.

A. The Sound and Appearance of the Marks.

The HOLAIRA and ALAIR marks differ in many respects in their appearance and pronunciation. First, the two marks differ in the number of syllables. HOLAIRA has three syllables, ALAIR has two syllables. Far from being homonyms as Opposers contend, the marks are pronounced very differently based on the disparate number of syllables in each mark. These differences are critical to the likelihood of confusion analysis. *See, e.g., Parfums de Coeur, Ltd. v. Lazarus*, 83 U.S.P.Q.2d 1012, 1016 (T.T.A.B. 2007) (comparing the marks BOD MAN and BODYMAN and finding no likelihood of confusion based, in part, on differing sound caused by more syllables in one mark).

Second, the beginning of each mark differs significantly. The pronunciation of the first syllable in HOLAIRA, HOL, is consistent with the word "whole." In communicating its mark, Applicant pronounces the mark "Whole-Air-Ah" (akin to the word "holistic"). (Dkt. No. 29, Wahr Tr. at 40:14–25; 42:15–43:3; Dkt. No. 13, Ex. 27 (Applicant's Response to Opposers' Interrogatory No. 2).) In contrast, the beginning of Opposers' mark—AL—is based on the word "all," and the pronunciation is consistent with that intended meaning. (Dkt. No. 22, Passafaro Tr. at 9:20–21 ("Alair, or 'all air'").) This difference weighs heavily in favor of Applicant. *Presto Prods., Inc. v. Nice-Pak Prods. Inc.*, 9 U.S.P.Q.2d 1895, 1897 (T.T.A.B. 1988) (first part of mark most likely to be impressed on mind of purchaser).

Third, the last syllable in each mark is significantly different. Applicant's mark ends with the pronunciation of the final "A" at the end of HOLAIRA—"Whole-Air-Ah".⁷ (Dkt. No.

⁷ Opposers make much of their belief that the pronunciation of the third syllable in HOLAIRA is properly displayed as "-uh." This is a distinction that makes no difference in the analysis

29, Wahr Tr. at 42:15–43:3; Dkt. No. 13, Ex. 27 (Applicant’s Response to Opposers’ Interrogatory No. 2).) In contrast, Opposers’ mark ends abruptly with the pronunciation of “AIR,” rendering the ending of the two marks substantially different.⁸

Furthermore, the limited similarity between the marks—the inclusion of AIR or LAIR within the marks—is of minimal importance. As set forth above, the use of these letter strings is commonplace for marks used on products for respiratory treatments. The record includes forty-five marks related to respiratory conditions that contain the letter string AIR. (Dkt. Nos. 17, 18, Applicant’s Exs. 1–44, 54.) The record also includes eleven marks related to respiratory conditions that contain the letter string LAIR. (Dkt. Nos. 17, 18, Applicant’s Exs. 25, 34, 37–43, 54.) This is evidence of the highly suggestive or descriptive nature of the word AIR as related to goods used for respiratory treatments. [REDACTED]

[REDACTED] Opposers’ own proffered expert agrees and opines that due to the AIR string in Opposers’ mark, “consumers . . . would assume these products are associated with respiratory problems.” (Dkt. No. 14, Nunberg Decl. at ¶ 20.) Applicant has the same understanding and selected the name HOLAIRA in part because it is an “air-centric” word suggestive of the goods. (Dkt. No. 29, Wahr Tr. at 35:12–36:22, Wahr Ex. 2 at 56.) Opposers further acknowledge the AIR letter string is “not

before the Board. Regardless of whether the third syllable is “-ah” or “-uh,” the fact remains that HOLAIRA has one more syllable than ALAIR and the appearance and pronunciation of the ending syllable for the two marks is significantly different.

⁸ Opposers suggest that the appearance is impermissibly similar because some of the letters in HOLAIRA could be used to spell ALAIR (if the order were changed and some letters were jettisoned). However, finding likelihood of confusion is not akin to finding an anagram. Indeed, “pipes” is not likely to be confused with PEPSI even though the same letters are used. The same is true regarding “moreen” and KENMORE and thousands of other anagrams or near-anagrams.

uncommon” for use on goods for respiratory treatment. (Dkt. No. 22, Passafaro Tr. at 80:6–11.)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Because AIR is highly suggestive or descriptive when applied to goods for respiratory treatments, that portion of the marks should not be given weight in assessing likelihood of confusion. *See, e.g., Embarcadero Tech. Inc. v. RStudio Inc.*, 105 U.S.P.Q.2d 1825, 1836–37 (T.T.A.B. 2013) (*citing Pioneer Hi-Bred Corn Co. v. Welp*, 208 F.2d 151, 126 U.S.P.Q. 398 (C.C.P.A. 1960) (“The record shows that both parties deal in hybrid poultry, and ‘Hy’ therefore has a suggestive significance, hence is not entitled to as great weight in determining likelihood of confusion as an arbitrary word or syllable.”); *Lauritzen & Co. v. Borden Co.*, 239 F.2d 405, 112 U.S.P.Q. 60, 62 (C.C.P.A. 1956) (“In the instant case, the syllable ‘lac,’ which is common to the two trademarks under consideration, has a somewhat descriptive connotation as applied to milk products, and has been commonly used as a portion of trademarks for such products. Accordingly, it should be given little weight in determining whether those marks are confusingly similar.”). Indeed, as the TTAB has held in similar circumstances with respect to other marks, the widespread use of AIR has conditioned consumers to look to other portions of the mark for differences as a means of distinguishing the source of the goods in the marketplace. *See, e.g., In re Hartz Hotel Servs., Inc.*, 102 U.S.P.Q.2d 1150, 1153–54 (T.T.A.B. 2012); *In re Dayco Prods.-Eagle motive Inc.*, 9 U.S.P.Q.2d 1910, 1911–12 (T.T.A.B. 1988); *Plus Prods. v. Star-Kist Foods, Inc.*, 220 U.S.P.Q. 541, 544 (T.T.A.B. 1983).

Given that the remaining portions of the marks are very different, the inclusion of AIR is an insufficient basis on which to find a likelihood of confusion.⁹*Am. Hosp. Supply Corp. v. Air Prods. and Chems., Inc.*, 194 U.S.P.Q. 340, 343 (T.T.A.B. 1997); *see also In re Hearst Corp.*, 982 F.2d 493, 25 U.S.P.Q.2d 1238 (Fed. Cir. 1992) (noting need to look at the marks as a whole, not merely the common elements and finding VARGA GIRL and VARGAS for calendars not confusingly similar); *Food Specialty Co. v. Kal Kan Foods, Inc.*, 487 F.2d 1389, 180 U.S.P.Q. 136 (C.C.P.A. 1973) (KITTY for cat food and KAL KAN KITTY STEW and design for canned cat food not confusingly similar); *Colgate-Palmolive Co. v. Carter-Wallace, Inc.*, 432 F.2d 1400, 167 U.S.P.Q. 529 (C.C.P.A. 1970) (PEAK for dentifrice and PEAK PERIOD for personal deodorants not confusingly similar); *Elec. Realty Assocs., Inc.*, 216 U.S.P.Q. 61 (ERA for a variety of clothing items and GOLDEN ERA for sportshirts not confusingly similar); *In re Sears, Roebuck & Co.*, 2 U.S.P.Q.2d 1312 (T.T.A.B. 1987) (CROSS-OVER for bras not confusingly similar to CROSSOVER for ladies' sportswear); *In re British Bulldog, Ltd.*, 224 U.S.P.Q. 854 (T.T.A.B. 1984) (PLAYERS for men's underwear not confusingly similar to PLAYERS for shoes); *In re Sydel Lingerie Co., Inc.*, 197 U.S.P.Q. 629 (T.T.A.B. 1997) (BOTTOMS UP for ladies' and children's underwear not confusingly similar to BOTTOMS UP for men's clothing).

B. The Connotation of the Marks.

The connotation of the marks does not support a finding of likelihood of confusion. Opposers' mark and Applicant's mark are coined terms with no generally understood meaning. The marks do not appear in any dictionaries, medical or otherwise. Accordingly, the physician-

⁹ It is proper to accord more or less weight to a particular feature of a mark so long as the ultimate conclusion rests on a consideration of the marks in their entirety. *In re Nat'l Data Corp.*, 753 F.2d 1056, 224 U.S.P.Q. 749, 751 (Fed. Cir. 1985).

customers will rely upon the clear differences in the appearance and sound to differentiate the marks.

C. The Board Should Not Give Dr. Nunberg's Opinion Any Weight.

Opposer relies heavily on the opinions of Dr. Nunberg, a linguist retained and paid by Opposers for purposes of this opposition. (Dkt. No. 14, Ex. 27, Nunberg Decl. at ¶ 9.) However, it is well-recognized that the Board does not give weight to the opinions of a linguist like Dr. Nunberg, even if it finds the opinions admissible.¹⁰ *Edwards Lifesciences Corp. v. VigiLanz Corp.*, 94 U.S.P.Q.2d 1399, 1401–02 (T.T.A.B. 2010). Instead, the Board relies on its own independent assessment of the marks. “[T]he Board is responsible for determining whether the marks are similar, and . . . will not substitute the opinion of a witness, even an expert witness, for [the Board’s] evaluation of the facts.” *Id.* (citing *Fisons Ltd. v. UAD Labs., Inc.*, 219 U.S.P.Q. 661, 663 (T.T.A.B. 1983)). Moreover, Dr. Nunberg’s opinions are clearly biased and incomplete. For example, Dr. Nunberg fails to account for the different number of syllables in the two marks when attempting to support his erroneous conclusion that the marks are “near homonyms.” (Dkt. No. 14, Ex. 27, Nunberg Decl. at ¶ 17.) Furthermore, Dr. Nunberg, without factual basis and without considering or discussing the characteristics of the relevant consumers, concludes that the two marks are too similar because the marks may be closer when pronounced by Spanish speakers. (Dkt. No. 14, Ex. 27, Nunberg Decl. at ¶ 18.) Opposers, however, have not put forth any evidence that the relevant customers—specially trained pulmonologists—speak Spanish as a first (or even second) language.

¹⁰ Here, Dr. Nunberg’s opinions go beyond mere issues of pronunciation and, instead, cross over into providing legal opinion—an area outside of Dr. Nunberg’s proffered expertise. Further, his opinions are based on unsupported assumptions and fail to address necessary context and the attributes of the relevant consumers. Accordingly, as explained in more detail in Applicant’s Objections Brief, the Board should rule Dr. Nunberg’s opinions inadmissible.

Moreover, Dr. Nunberg fails to analyze the relevant customers and completely ignores their sophistication and the technical and specialized nature of the products. This is not permissible. As explained in *Ferro Corporation v. Nicofibers, Inc.*:

It is fundamental that the commercial impression of marks depends largely upon how the purchasers of the goods marketed thereunder perceive them; that the understanding of the marks must be determined in light of the relevant purchasing sector and not that of linguistic experts or those familiar with the meaning or derivation of words; and that insofar as potential purchasers are concerned, where as here the goods are of a technical nature, the degree of sophistication or knowledge of the average purchaser must be taken into account.

196 U.S.P.Q. 41, 1977 WL 22556, at *5 (T.T.A.B. 1997) (emphasis added). Accordingly, because his analysis ignores the critical context and attempts to supplant the Board's own judgment, it is wholly irrelevant and should be given no weight. *Id.*; *Edwards Lifesciences*, 94 U.S.P.Q.2d at 1402.

Because the marks do not even meet the threshold requirement of similarity, the Board should dismiss this opposition and allow the HOLAIRA mark to register.

III. THE SOPHISTICATION OF THE CONSUMERS AND THE INVOLVED SALES PROCESS MAKE CONFUSION UNLIKELY.

The fourth *DuPont* factor—the conditions under which and buyers to whom sales are made, *i.e.* “impulse” vs. careful, sophisticated purchasing—is often dispositive where the consumers are highly sophisticated. *Elec. Design & Sales Inc. v. Elec. Data Systems Corp.*, 954 F.2d 713, 21 U.S.P.Q.2d 1388, 1392 (Fed. Cir. 1992) (“[S]ophistication is important and often dispositive.”). This is the case here where the sophistication of the buyers and the highly involved buying/training process essentially guarantee no confusion will occur.

A. The Customers—Pulmonologists—are Highly Sophisticated.

For a likelihood of confusion to exist, “it must be based on confusion of some relevant person, *i.e.* a customer or user, and there is always less likelihood of confusion where goods are expensive and purchased and used by highly specialized individuals after careful consideration.” *Astra Pharm. Prods., Inc. v. Beckman Instruments, Inc.*, 718 F.2d 1201, 220 U.S.P.Q. 786, 791 (1st Cir. 1983). When consumers exercise heightened care in evaluating products before making purchasing decisions, there is not a strong likelihood of confusion. *Elec. Design & Sales*, 21 U.S.P.Q.2d at 1392. “[T]he price level of the goods . . . is an important factor in determining the amount of care the reasonably prudent buyer will use. If the goods . . . are relatively expensive, more care is taken and buyers are less likely to be confused as to source or affiliation.” 4 *McCarthy on Trademarks and Unfair Competition* § 23:95 (4th ed. 2015). “Where the relevant buyer class is composed solely of professional or commercial purchasers, it is reasonable to set a higher standard of care than exists for consumers.” *Id.* at § 23:101.

Here, the relevant customers are not only physicians but specific subsets of pulmonologists. These subsets of pulmonologists are the primary marketing target for both Applicant and Opposers. (Dkt. No. 22, Passafaro Tr. at 88:4–91:19; 92:10–93:25; Dkt. No. 20, Applicant’s Ex. 93; Dkt. No. 29, Wahr Tr. at 58:10–23.) Furthermore, it is undisputed that physicians are the only ones who can authorize a purchase of these medical devices under Federal law. (Dkt. No. 20, Applicant’s Exs. 83, 84; Dkt. No. 22, Passafaro Tr. at 92:10–93:25; Dkt. No. 29, Wahr Tr. at 69:5–22; 58:12–59:23.) Courts and the Board alike have routinely recognized that physicians are among the most sophisticated customer possible and, accordingly, are more likely to distinguish between marks and goods than is the general public. *In re N.A.D.*, 754 F.2d 996, 224 U.S.P.Q. 969, 971 (Fed. Cir. 1985); *Pfizer Inc. v. Astra Pharm. Prods., Inc.*, 858 F. Supp. 1305, 33 U.S.P.Q.2d 1545, 1562 (S.D.N.Y. 1994) (“The consumers here are

doctors, as sophisticated a group as one could imagine.”); *Warner-Hudnut, Inc. v. Wander Co.*, 280 F.2d 435, 126 U.S.P.Q. 411, 412 (C.C.P.A. 1960) (physicians constitute “a highly intelligent and discriminating public”). This is especially true for these goods, used in a medical procedure to treat patients in a non-emergency setting. In such circumstances, where decisions impact patient safety and well-being, it is reasonable to conclude that physicians will use the utmost care in selecting the products to use and obtaining informed consent from patients—a component of which includes the ability to be conversant and educated regarding the product to be used. *See, e.g., In re Invivo Corp.*, Serial No. 78/670,679, at pp. 13–14 (T.T.A.B. Sept. 5, 2007) (non-precedential) (finding TELEPACK and TELEPAC not likely to confuse physician customers where “the products at issue are all used for patient care, we can safely assume that the doctors and hospital personnel responsible for the selection and purchase of those products will exercise a high degree of care in purchasing decisions to ensure that the products come from a reputable source, thereby further minimizing a likelihood of confusion”). This “sophistication is important and often dispositive because ‘[s]ophisticated consumers may be expected to exercise greater care.’” *Elec. Design & Sales Inc.*, 21 U.S.P.Q.2d at 1392 (quoting *Pignons S.A. de Mecanique de Precision v. Polaroid Corp.*, 657 F.2d 482, 212 U.S.P.Q. 246, 252 (1st Cir. 1981)).

The Board’s decision in *In re Digirad* is instructive. 45 U.S.P.Q.2d 1841 (T.T.A.B. 1998). In *Digirad* the Board found no likelihood of confusion between applicant’s DIGIRAD mark and registrant’s DIGIRAY mark. The Board reached this conclusion despite the goods (x-ray imaging and nuclear imaging) having many of the same characteristics—both medical diagnostic technologies, both use a form of radiation, and both are performed on patients during diagnosis and/or treatment of an illness or injury. *Id.* Central to the Board’s decision, among other factors, was the fact that the customers were highly sophisticated medical professionals

who purchased the products after careful study and consideration. *Id.* So too here. *See also In re Wright Med. Tech., Inc.*, Serial No. 75/024,024, at pp. 20–21, p. 21 nn.4–7 (T.T.A.B. Oct. 30, 1998) (non-precedential) (finding EXTEND and X-TEND not likely to confuse physicians—highly educated, sophisticated purchasers); *In re Optical Sensors Inc.*, Serial No. 78/556,607, at p. 26 (T.T.A.B. Aug. 13, 2007) (non-precedential) (finding ACCUTRACKER and ACQTRAC not likely to confuse given the “knowledge, care and deliberation required of doctors”); *In re TriVascular, Inc.*, Serial No. 77/941,535, at p. 13 (T.T.A.B. Nov. 27, 2012) (non-precedential) (finding OVATION for medical devices in the treatment of vascular disease and OVATION for orthopedic implants and prosthesis not likely to confuse “relevant” customers of orthopedic specialists and vascular medicine specialists).

B. The Highly Sophisticated Customers Are Required To Undergo Manufacturer-Sponsored Training Prior To Purchase.

Beyond being highly sophisticated through their own education, training, intelligence, and responsibility to ensure patient safety and care, the customers for the products at issue receive in-depth training on the products from company representatives before being allowed to purchase the products. In particular, Opposers require intensive training with a company representative, including (1) a thorough review of Opposers’ directions for use; (2) a “guided” didactic instruction through Opposers’ company-sponsored “Bronchial Thermoplasty Learning Center;” (3) a “detailed” in-service training session from Opposers’ sales representatives; and (4) “hands-on” training with Opposers’ device in a lung model conducted by Opposers’ sales representatives. (Dkt. No. 20, Applicant’s Ex. 93.) This is training that Opposers require prior to allowing a physician to purchase a device.¹¹ (*Id.*; Dkt. No. 22, Passafaro Tr. at 88:4–91:19;

¹¹ This training, performed by Opposers’ sales representatives related to its bronchial thermoplasty product, is the basis for the services for which Opposers’ mark is registered. (Dkt. No. 22, Passafaro Tr. at 13:4-14:8.) Because these services are openly performed by

126:8–128:7.) The customer’s close contact and interaction with Opposers’ sales representatives continues even after the product is purchased. Opposers require “proctoring of initial cases by” their sales representatives. (*Id.*) In other words, a company representative attends actual patient procedures performed by the customer-physician.

In short, to say that these products are purchased after careful study and consideration is an understatement. These products are only available for purchase after the physician has proven to the manufacturer his or her knowledge of the product and skill in using the product in a patient. In such circumstances, there can be no likelihood of confusion—especially between two dissimilar marks for products that function in different ways, are not available to treat the same condition, and are sold by sales representatives known to work for separate medical device manufacturers.

Astra Pharmaceutical Products, Inc. is instructive. 718 F.2d 1201, 220 U.S.P.Q. at 791. In *Astra*, the products were sold only after intensive and lengthy contact with the manufacturer’s sales representatives, including training conducted by the manufacturer prior to delivery of the goods. *Id.* In these circumstances, the Court explained “it is simply inconceivable that purchasers of the parties’ respective products could be confused as to the source of those products” *Id.* The same is true here. It is “simply inconceivable” that a highly skilled pulmonologist would be confused as to the source of Opposers’ or Applicant’s goods after interacting personally with a sales representative employed by Opposers or Applicant and undergoing several steps of training with the same sales representative (all of which occur prior

Opposers’ employees promoting Opposers’ product to highly educated medical professionals, there can be no confusion between these services and Applicant’s HOLAIRA mark.

to a sale). *Id.*; *see also Pfizer*, 858 F.Supp. 1305, 33 U.S.P.Q.2d at 1562 (recognizing impact of sales through a direct sales force on minimizing possibility for confusion).

C. The Goods Are Extremely Expensive.

The record reflects that the goods on which the parties' marks are used or will be used cost tens of thousands of dollars to purchase and several thousand dollars for each use. Opposers concede that the control system associated with the ALAIR mark costs [REDACTED] and the single-use catheter required to use the system costs [REDACTED]. (Dkt. No. 18, Applicant's Ex. 79.) Applicant's product will cost [REDACTED]. (Dkt. No. 29, Wahr Tr. at 64:14–65:6.) The expense of these medical devices weighs heavily against finding a likelihood of confusion. *Astra Pharm. Prods.*, 718 F.2d 1201, 220 U.S.P.Q. at 791; 4 *McCarthy* § 23:95.

D. Opposers' Attempt To Ignore Customer Sophistication Lacks Merit.

Opposers argue that because neither party identified a specific channel of trade or specific customers in their applications, the Board should simply ignore the sophistication of the customers at issue. This is simply not the law. The Board recognizes that where there are no restrictions on the channels of trade or customers in the application, it is presumed that "the identified goods are offered in all channels of trade which would be normal therefore, and that they would be purchased by all potential buyers thereof." *See In re Jump Designs LLC*, 80 U.S.P.Q.2d 1370, 1374 (TTAB 2006) (emphasis added). The emphasized portion of this statement of law is critical. Although the Board makes certain presumptions regarding the sale of goods, the Board does not simply ignore the type of goods at issue as Opposers' argue. Rather, the law makes clear that the Board considers the channels of trade that are normal for the medical device goods at issue. The law makes clear that the Board considers the potential

purchasers for medical devices, and does not presume that sophisticated medical devices will be purchased by non-physicians in violation of Federal law.

Here, Federal law and the FDA define the “potential buyers” of the goods at issue. Indeed, under Federal law, pursuant to the FDA’s authorization, Opposers’ goods may only be purchased by or on the order of a physician. (Dkt. No. 22, Passafaro Tr. at 140:6–9; Dkt. No. 29, Wahr Tr. at 58:12–59:23, 59:20–23, 61:16–64:3, 69:5–22, 92:10–93:25; Dkt. No. 20, Applicant’s Exs. 83, 84.) Applicant’s device, another Class III medical device, will have the same restriction if it is approved by the FDA. (*Id.*) Moreover, the FDA, Opposers, and Applicant require (or will require) physicians to undergo significant company-sponsored training before purchasing the goods at issue. (*Id.*)

Furthermore, due to the very nature of the goods, the channels of trade normal for these goods are not the same as a consumer product. Medical devices like these are not available on retail store shelves or online. Instead, the purchase process involves the use of a direct sales force of company employees. (Dkt. No. 22, Passafaro Tr. at 15:13–14, 34:10–12, 101:17–102:8.) The company sales representatives are trained to develop relationships with the physician-customers to effectuate sales. (*Id.*) These personal relationships ensure no confusion can exist regarding the source or manufacturer of the products purchased by the physician.

Accordingly, although there is no channel of trade or customer specified in the application, the normal channels of trade and potential purchasers make confusion exceedingly unlikely.

E. The Relevant Customers Do Not Include Patients, Medical Societies, Or Insurance Companies, As Opposers Contend.

The persons relevant to this analysis are individuals with the ability to purchase or use the product. *See, e.g., Astra Pharm. Prods.*, 718 F.2d 1201, 220 U.S.P.Q. at 790 (likelihood of

confusion must be based on “the confusion of some relevant person, *i.e.*, a customer or user”). Here it is undisputed that under Federal law the only individuals who may direct a purchase or use the product are physicians, as described above. Although a patient receives treatment from a physician using the goods at issue, the patient does not purchase the products and does not use the products. *See, e.g., Astra Pharm. Prods.*, 718 F.2d at 1205–06, 220 U.S.P.Q. 786. Much like a scalpel or other medical tool, just because it is used to treat a patient does not make the patient a relevant customer for a trademark analysis. Further, even if relevant, a patient cannot obtain the procedure without the educated pulmonologist (who has undergone rigorous company-sponsored training) explaining the procedure to obtain informed consent. In other words, the physician is the gatekeeper every step of the way. (Dkt. No. 22, Passafaro Tr. at 116:11–117:16.) Similarly, medical societies and insurance companies do not purchase or use the goods at issue and are not relevant customers for the trademark analysis before the Board. (Dkt. No. 22, Passafaro Tr. at 31:22–33:17 (explaining relationship with societies as an ongoing dialogue to “make[] sure that they [were] aware of [the ALAIR product] and what it was and how it worked”).) Even if these entities were relevant customers of the goods at issue, there is little doubt that medical societies—such as the American Medical Society—are extremely sophisticated and not reasonably susceptible to confusion as to the source of the medical devices they review.

F. The Medical Devices At Issue Are Not Interchangeable As Opposers Suggest.

In an apparent attempt to assert that physicians may be confused by the products themselves, Opposers, relying on testimony they improperly disclosed for the first time during the rebuttal period (*See* Objections), spend much time arguing that Opposers’ device and Applicant’s device are identical goods. (Dkt. No. 27, Opposers’ Trial Br. at 27–28; Dkt. No. 25, Ex. 74, Shargill Decl. at ¶ 8.) Opposers’ argument is simply without merit and the actual goods

are not identical. The devices function in a different manner, perform a different function, are not approved to treat the same conditions, and, critically, are used in wholly different medical procedures. There is no basis on which to conclude that a physician would confuse a thermoplasty device with a denervation device.

Opposers' and Applicant's devices function in a different manner and are used in distinct medical procedures. Opposers' device is inserted into a patient's lungs, whereas Applicant's device is only inserted into the main-stem bronchus, stopping short of the patient's lungs. (Dkt. No. 20, Applicant's Exs. 83–84; Dkt. No. 29, Wahr Tr. at 14:16–18:10; Dkt. No. 14, Opposers' Exs. 30, 35.) Opposers' device uses radio frequency energy to create heat to reduce the amount of smooth muscle in a patient's lungs, whereas Applicant's device uses cooled radio frequency energy (not heat) to disrupt the patient's nerves. (Dkt. No. 20, Applicant's Exs. 83–84; Dkt. No. 14, Opposers' Exs. 30, 35.) Unlike Opposers' device, Applicant's device has no direct impact on the smooth muscle in the patient's lungs. (Dkt. No. 29, Wahr Tr. at 91:25–92:12.) In short, the two procedures—bronchial thermoplasty and targeted lung denervation—are completely distinct procedures. Indeed the purpose and function of the two procedures are different. One is designed to reduce the amount of smooth muscle through heat and the other is designed to disrupt nerves through cooled radio frequency energy. (Dkt. No. 20, Applicant's Exs. 83–84; Dkt. No. 14, Opposers' Exs. 30, 35.) Opposers' device could not perform targeted lung denervation and Applicant's device could not perform bronchial thermoplasty.¹²

Moreover, the products are not available to treat the same conditions. Opposers' bronchial thermoplasty system is indicated for the treatment of individuals with severe asthma and Applicant is seeking approval to treat emphysema and chronic bronchitis. (Dkt. No. 22,

¹² Furthermore, the devices themselves are dissimilar in appearance.

Passafaro Tr. at 17:13–19; Dkt. No. 20, Applicant’s Exs. 83; 84; Dkt. No. 29, Wahr Tr. at 18:11–19:21; 49:11–53:4; 82:16–24; 85:17–22; 98:19–101:2.) Asthma is not the same as emphysema or chronic bronchitis—it is a completely separate disease. (Dkt. No. 29, Wahr Tr. at 82:16–24; 85:17–20; 86:11–21; 93:7–14.)¹³ Opposers argue based on inadmissible hearsay printed from the internet that emphysema and chronic bronchitis are the same as asthma because some internet articles classify all three as forms of “COPD.” (Dkt. No. 27, Opposers’ Trial Br. at 11.) But this ignores the testimony of their own witness and the FDA’s indication of use for their product. Opposers’ own witness made clear that asthma is different from emphysema and chronic bronchitis. (Dkt. No. 22, Passafaro Tr. at 180:11–182:3.) Furthermore, the fact that Opposers’ bronchial thermoplasty system is not approved to treat emphysema and chronic bronchitis demonstrates the point. If asthma, emphysema, and chronic bronchitis were truly the same disease, as Opposers now contend, the FDA’s limitation on sales for treatment of severe asthma would not exist, and Opposers would market their product to treat emphysema and chronic bronchitis. They unequivocally do not.¹⁴ (Dkt. No. 22, Passafaro Tr. at 99:2–100:1.)

At bottom, while the goods at issue may be purchased by the same specialized physicians to treat respiratory conditions, it would be error to conclude there is a likelihood of confusion merely because Applicant markets and sells its goods in the same field as Opposers. *See Elec. Design & Sales*, 21 U.S.P.Q.2d at 1391.

IV. ALAIR IS A WEAK MARK NOT ENTITLED TO STRONG PROTECTION.

Fame for purposes of likelihood of confusion is a matter of degree that “varies along a spectrum from very strong to very weak.” *Palm Bay Imports, Inc. v. Vueve Clicquot Ponsardin*

¹³ Dr. Wahr is a board-certified physician. (Dkt. No. 29, Wahr Tr. at 4:16–8:21.)

¹⁴ Opposers are making no efforts to expand the acceptable use of their bronchial thermoplasty system to COPD treatments. (Dkt. No. 22, Passafaro Tr. at 100:2–20.)

Maison Fondée En 1772, 73 U.S.P.Q.2d 1689, 1964 (Fed. Cir. 2005). “It is the duty of the party asserting that its mark is famous to clearly prove it.” *Lacoste Alligator S.A. v. Maxoly Inc.*, 91 U.S.P.Q.2d 1594, 1597 (T.T.A.B. 2009); *see also Leading Jewelers Guild, Inc. v. LJOW Holdings, LLC*, 82 U.S.P.Q.2d 1901, 1904 (T.T.A.B. 2007). Evidence of record must prove that a “significant portion of the relevant consuming public . . . recognizes the mark as a source indicator.” *Palm Bay Imports*, 73 U.S.P.Q.2d at 1694. Opposers have not established that their mark is strong or famous; nor could they given their own admissions regarding the inherent weakness of the marks.

A.

ALAIR Is A Weak Mark.

As outlined above, the use of the letter strings AIR and LAIR are exceedingly common in marks related to respiratory treatments. Such evidence “serve[s] to diminish the strength of [Opposers’] mark and the the scope of the protection to which a mark is entitled.” *Nike, Inc. v. WNBA Enters., LLC*, 85 U.S.P.Q.2d 1187 (T.T.A.B. 2007). Indeed, “[t]he weaker an opposer’s mark, the closer an applicant can come without causing a likelihood of confusion and thereby invading what amounts to its comparatively narrower range of protection.” *Jack Wolfskin Ausrüstung Fur Draussen GMBH & Co. KGAA v. New Millennium Sports, S.L.U.*, 797 F.3d 1363, 1373, 116 U.S.P.Q.2d 1129 (Fed. Cir. 2014) (quoting *Juice Generation, Inc. v. GS Enters.*, 794 F.3d 1334, 1338, 115 U.S.P.Q.2d 1671 (Fed. Cir. 2015)); *see also Palm Bay Imports*, 73 U.S.P.Q.2d at 1693 (“Evidence of third-party use of similar marks on similar goods is relevant to show that a mark is relatively weak and entitled to only a narrow scope of protection.”). Here there are forty-five marks using AIR and eleven marks using LAIR. “[S]uch extensive evidence of third-party use and registrations is ‘powerful on its face,’ even where the specific extent and impact of the usage has not been established.” *Jack Wolfskin*, 797 F.3d at 1373–74 (emphasis

added) (quoting *Juice Generation*, 794 F.3d at 1339). Moreover, Opposers were aware that many marks used the strings AIR and LAIR when deciding to seek registration for the ALAIR mark. (Dkt. No. 22, Passafaro Tr. at 67:2–25; 71:8–73:8; 74:10–75:12, Passafaro Applicant’s Ex. 18); *Jerrold Elecs. Corp. v. Magnavox Company*, 199 U.S.P.Q. 751, 758 (T.T.A.B. 1978) (recognizing that such awareness “reflect[s] a belief, at least by [Opposers], who would be most concerned about avoiding confusion and mistake” that their mark could coexist with other marks containing AIR and LAIR “provided there is a difference”). Here, there are substantial differences between the marks ALAIR and HOLAIRA.

[REDACTED]

[REDACTED] Rather than focusing their marketing efforts on the ALAIR mark, Opposers rarely use the mark, focusing instead on “bronchial thermoplasty” or “BT” to identify their goods and services. Defendants’ own website—btforasthma.com—proves the point. Opposers seldom use ALAIR on their website and typically only use it in a

fine-print disclaimer at the bottom of each page. (Dkt. No. 22, Passafaro Tr. at 155:8–156:15, Passafaro Applicant’s Exs. 6–15; Dkt. No. 20, Applicant’s Exs. 85–94.) Opposers’ other advertising media is the same—focusing on bronchial thermoplasty and minimizing ALAIR, if the mark is used at all. (Dkt. No. 22, Passafaro Tr. at 119:13–120:20, Passafaro Applicant’s Exs. 13–14; Dkt. No. 20, Applicant’s Exs. 91–92.) For example, the testimonials touted by Opposers as evidence of the strength of their mark, do not actually use the ALAIR mark except in a disclaimer at the end of the testimonial—the focus is on “bronchial thermoplasty” and “BT.” (Dkt. No. 22, Passafaro Tr. at 119:13–120:20; 122:14–124:17, Passafaro Applicant’s Exs. 13–14.)

Furthermore, evidence of the third-party registrations containing AIR and LAIR shows that these terms “have a normally understood and well-recognized descriptive or suggestive meaning” for these types of goods. *Jack Wolfskin*, 797 F.3d at 1374 (quoting *Juice Generation*, 794 F.3d at 1338). Essentially, the evidence shows that the likelihood of confusion is minimal because “customers have been educated to distinguish between different marks” containing AIR or LAIR for respiratory treatment goods “on the basis of minute distinctions.” *Id.* (holding that near identical paw prints in marks could not be basis of confusion due to extensive use of paw print marks by third parties on apparel). In other words, the inclusion of the descriptive phrase AIR in Applicant’s mark is unlikely to cause confusion standing alone because consumers will look to other portions of the mark to distinguish it from Opposers’ mark. Even Opposers’ proffered expert agrees—opining that the inclusion of AIR identifies the type of product (*i.e.* one related to respiration) rather than the source of goods. (Dkt. No. 14, Ex. 27, Nunberg Decl. at ¶ 20.) When a consumer looks beyond the inclusion of AIR, he or she will see substantial

differences in the marks including more syllables and starkly different beginning and ending to the words. (*See supra* at 22.)

Opposers' mark is simply not the kind of mark entitled to broad protection and the differences between HOLAIRA and ALAIR are significant enough to negate any possibility of confusion. *Sure-Fit Prods. Co. v. Saltzon Drapery Co.*, 254 F.2d 158, 117 U.S.P.Q. 295, 297 (C.C.P.A. 1958) ("It seems both logical and obvious . . . that where a party chooses a trademark which is inherently weak, he will not enjoy the wide latitude of protection afforded the owners of strong marks.")

B. Opposers' Marketing Efforts, Focused On Bronchial Thermoplasty, Have Not Transformed ALAIR Into A Commercially Strong Mark.

Opposers attempt to assert that the ALAIR mark is commercially strong by putting before the Board raw numbers of advertising spend and revenue. Respectfully, this is insufficient. *Nike, Inc. v. WNBA Enterprises, LLC*, 85 U.S.P.Q.2d 1187, 1197 (T.T.A.B. 2007) ("Raw numbers of product sales and advertising expenses may have sufficed in the past to prove fame of a mark, but raw numbers alone in today's world may be misleading Consequently, some context in which to place raw statistics is reasonable."); *see also Bose Corp. v. QSC Audio Prods.*, 293 F.3d 1367, 63 U.S.P.Q.2d 1303, 1309 (Fed. Cir. 2002). Opposers' data, stripped of the context necessary to understand the data, do not support a conclusion of fame or commercial strength. And when the data is considered with the appropriate context, it is clear that the ALAIR mark is not commercially strong and not entitled to the broad protection that Opposers seek.

Opposers place much reliance on their marketing/advertising spend over the past five years. (Dkt. No. 27, Opposers' Trial Br. at 12–15, 32–33.) But the context is critical. Opposers fail to note, for example, what portion of the advertising spend was used to promote the ALAIR mark. [REDACTED]

V. THERE IS NO EVIDENCE OF ACTUAL CONFUSION.

Opposers failed to identify any evidence of actual confusion. (Dkt. No. 18, Applicant's Ex. 78, at 5.) This is relevant to the Board's analysis. Although Applicant's is an intent-to-use application, Applicant has since used the mark in connection with its goods and services with the relevant consumers (interventional pulmonologists). Applicant has used and highlighted the HOLAIRA mark (along with the correct pronunciation when spoken) by:

- Using HOLAIRA as the name of the company;
- Using HOLAIRA on the holaira.com website;
- Using HOLAIRA in multiple press releases;
- Using HOLAIRA on company business cards;
- Using HOLAIRA at public conferences and presentations; and
- Scientific/medical journals using HOLAIRA to publish clinical trial findings.

(Dkt. No. 29, Wahr Tr. at 53:14–58:2; *see also* Dkt. No. 22, Passafaro Tr. at 158:10–24; 187:15–188:11 (recognizing use of HOLAIRA name in market); Dkt. No. 25, Opposers' Ex. 74, Shargill Decl. at ¶ 8 (same)). In addition, Applicant has presented its technology (along with the HOLAIRA mark) to a significant number of interventional pulmonologists in the United States through private meetings. (Dkt. No. 29, Wahr Tr. at 55:12–56:22.) This exposure is significant given the limited number of physicians qualified to use products like Applicants and Opposers. Applicant estimates there are only approximately 150 interventional pulmonologists in the United States. (Dkt. No. 29, Wahr Tr. at 22:7–14.)

Despite being exposed to the ALAIR and HOLAIRA marks, the customers for the products have not been confused as to any affiliation between Opposers and Applicant. (Dkt. No. 29, Wahr Tr. at 58:3–9.) Opposers have no evidence to the contrary. (Dkt. No. 18, Applicant's Ex. 78, at 5.) Furthermore, Opposers' own testimony shows that physicians exposed to both names have recognized that a company other than Opposers makes the HOLAIRA system. (Dkt. No. 22, Passafaro Tr. at 187:15–188:11; Dkt. No. 25, Opposers' Ex. 74, Shargill Decl. at ¶ 8.)

The fact that no actual confusion has occurred is highly persuasive evidence against a finding of likelihood of confusion. *Oreck Corp. v. U.S. Floor Sys., Inc.*, 803 F.2d 166, 231 U.S.P.Q. 634, 639 (5th Cir. 1986) (“Oreck’s inability to point to a single incident of actual confusion [after seventeen months of concurrent use] is highly significant.”); *G.H. Mumm & Cie v. Desnoes & Geddes Ltd.*, 917 F.2d 1292, 16 U.S.P.Q.2d 1635, 1638 (Fed. Cir. 1990) (“Further, we note that despite over a decade of marketing by Desnoes of Red Stripe beer in certain of the United States, Mumm was unable to offer any evidence of actual confusion. This too weighs against a holding of a likelihood of confusion.”).

VI. OPPOSERS’ ARGUMENTS REGARDING INTENT AND BAD FAITH LACK FACTUAL MERIT.

Opposers argue that Applicant acted in bad faith but identify no facts supporting this allegation, nor can they. The record is clear that Applicant chose the HOLAIRA mark because it believed it was distinct from any existing marks. (Dkt. No. 29, Wahr Tr. at 28:9–29:3.) In fact, Dr. Wahr testified at length regarding the reasons Applicant selected HOLAIRA and the process used to come to the decision. (Dkt. No. 29, Wahr Tr. at 23:4–49:8, Wahr Exs. 1, 2.) As reflected in the evidence, one of the principle goals of selecting a name was to be “different from the competition.” (*Id.* at 28:9–29:3.) In fact, Applicant chose a name that started with “H” because not many medical device names or company names start with that letter. (*Id.* at 41:1–16.) Furthermore, Applicant chose to move from its old name—Innovative Pulmonary Solutions—not for nefarious reasons, but simply because the name was too long for marketing purposes. (*Id.* at 26:4–28:8.) Indeed, Opposers’ attempt to argue that Applicant sought a name close to ALAIR is also without any support. The fallacy of this baseless argument is demonstrated by the other names that Applicant considered and rejected in its selection process, including APAIRA, which is at least arguably closer to ALAIR than is the dissimilar HOLAIRA

mark. (*Id.* at Ex. 2.) Moreover, if Applicant truly sought to be as close to ALAIR as possible, as Opposers' contend, there would be no need for Applicant to spend thousands of dollars on developing and analyzing dozens of naming possibilities. Applicant could have simply selected a name close to ALAIR without incurring the expense, but Applicant specifically sought to find (and selected) a unique name.

Opposers also argue that Applicant consulted with counsel regarding the availability of the HOLAIRA mark too late in the process, but the record contains no support for this bizarre argument. Despite seeking (and obtaining) a copy of the attorney trademark clearance opinion provided to Applicant regarding HOLAIRA, Opposers chose to not make the clearance opinion (or the date on which it was issued) part of the record.¹⁶ The reason for Opposers' choice is clear—the clearance opinion does not identify any potential conflict with the ALAIR mark because the marks are very different and do not create a likelihood of confusion. Furthermore, if Opposers had supplied the opinion in the record, it would be clear that the opinion predated any effort to register the HOLAIRA mark further undermining Opposers' argument. Opposers cannot argue (without citation) that Applicant acted with bad faith intent because it sought legal advice. These facts demonstrate good faith, not bad faith. *Pfizer, Inc.*, 858 F.Supp. 1305, 33 U.S.P.Q.2d at 1562.

When closely examined, Opposers' argument is based solely on Applicant's knowledge of Opposers' mark, but mere knowledge of the existence of Opposers' mark does not, in and of itself, constitute bad faith or evidence a bad intent. *See Action Temporary Servs. Inc. v. Labor*

¹⁶ For this reason alone, the Board should reject Opposers' argument. TBMP 704.06(b) (factual statements made in a party's brief given no consideration unless supported by evidence properly introduced); *Kellogg*, 14 U.S.P.Q.2d at 1547 n.6; *BL Cars*, 221 U.S.P.Q. at 1019.

Force, Inc., 10 U.S.P.Q.2d 1307 (Fed. Cir. 1989). Accordingly, Opposers' claims of bad faith intent must fail.

CONCLUSION

Because no likelihood of confusion exists, Applicant respectfully requests that the Board dismiss the opposition and allow Applicant's HOLAIRA mark to register.

APPENDIX 1

335 F.3d 60

United States Court of Appeals,
Second Circuit.

Patricia M. CAMERON, Plaintiff–Appellant,

v.

COMMUNITY AID FOR RETARDED
CHILDREN, INC. (Keon Center) and
William Melville, Defendants–Appellants.Docket No. 02–7373. | Argued: Oct.
29, 2002. | Decided: July 8, 2003.

Former employee sued former employer under Americans with Disabilities Act (ADA). The United States District Court for the Southern District of New York, [Brieant, J.](#), entered summary judgment in favor of former employer. Former employee appealed. The Court of Appeals, [Jacobs](#), Circuit Judge, held that employee was unqualified for job of associate director, and she thus failed to establish prima facie ADA claim based upon employer regarding her as disabled due to inability to interact with others, and (2) employer did not believe employee to be substantially impaired in major life activity of working, so as to regard her as disabled within meaning of ADA.

Affirmed.

West Headnotes (6)

[1] Federal Courts

🔑 Defects, objections, and amendments;
striking brief

170B Federal Courts

170BXVII Courts of Appeals

170BXVII(H) Briefs

170Bk3504 Defects, objections, and amendments;
striking brief

(Formerly 170Bk715)

In appealing summary judgment entered in favor of employer and its executive director, employee failed to raise issue whether executive director was employer under ADA, where her brief referred passim to “defendants,” but she adduced no argument challenging conclusion that executive director was not employer.

Americans with Disabilities Act of 1990, § 2 et seq., 42 U.S.C.A. § 12101 et seq.; Fed.Rules Civ.Proc.Rule 56(c), 28 U.S.C.A.

3 Cases that cite this headnote

[2] Civil Rights

🔑 Practices prohibited or required in general;
elements

78 Civil Rights

78II Employment Practices

78k1215 Discrimination by Reason of Handicap,
Disability, or Illness

78k1217 Practices prohibited or required in
general; elements

(Formerly 78k173.1)

To establish a prima facie case of disability discrimination, an employee must show: (1) his employer is subject to the ADA; (2) he was disabled within the meaning of the ADA; (3) he was otherwise qualified to perform the essential functions of his job, with or without reasonable accommodation; and (4) he suffered an adverse employment action because of his disability. Americans with Disabilities Act of 1990, § 2 et seq., 42 U.S.C.A. § 12101 et seq.

47 Cases that cite this headnote

[3] Federal Civil Procedure

🔑 Employees and Employment
Discrimination, Actions Involving

170A Federal Civil Procedure

170AXVII Judgment

170AXVII(C) Summary Judgment

170AXVII(C)2 Particular Cases

170Ak2497 Employees and Employment
Discrimination, Actions Involving

170Ak2497.1 In general

An employee's purely conclusory allegations of discrimination, absent any concrete particulars, are insufficient to withstand summary judgment in an ADA case. Americans with Disabilities Act of 1990, § 2 et seq., 42 U.S.C.A. § 12101 et seq.; Fed.Rules Civ.Proc.Rule 56(c), 28 U.S.C.A.

60 Cases that cite this headnote

[4] Civil Rights

🔑 [Employment qualifications, requirements, or tests](#)

[78 Civil Rights](#)

[78II Employment Practices](#)

[78k1215 Discrimination by Reason of Handicap, Disability, or Illness](#)

[78k1218 Who Is Disabled; What Is Disability](#)

[78k1218\(4\) Employment qualifications, requirements, or tests](#)
(Formerly 78k173.1)

Employee was unqualified for job of associate director of organization providing services to developmentally disabled persons, and she thus failed to establish prima facie ADA claim based upon employer regarding her as disabled due to inability to interact with others, where employee's conceded inability to get along with coemployee drove away coemployee, and employee did not claim that such inability was caused by any actual disability within meaning of ADA. Americans with Disabilities Act of 1990, § 3(2)(C), [42 U.S.C.A. § 12102\(2\)\(C\)](#).

[30 Cases that cite this headnote](#)

[5] [Civil Rights](#)

🔑 [Perceived disability; "regarded as" claims](#)

[78 Civil Rights](#)

[78II Employment Practices](#)

[78k1215 Discrimination by Reason of Handicap, Disability, or Illness](#)

[78k1218 Who Is Disabled; What Is Disability](#)

[78k1218\(6\) Perceived disability; "regarded as" claims](#)

(Formerly 78k173.1)

Employer did not believe employee to be substantially impaired in major life activity of working, so as to regard her as disabled within meaning of ADA, where executive director promoted employee despite knowing that she suffered from anxiety attacks, his unwillingness to discuss her condition did not necessarily indicate inappropriate fixation on her condition, and alleged inaccuracies in reports about employee's performance did not matter if executive director believed them. Americans with Disabilities Act of 1990, § 3(2)(C), [42 U.S.C.A. § 12102\(2\)\(C\)](#).

[17 Cases that cite this headnote](#)

[6] [Evidence](#)

🔑 [Reports](#)

[157 Evidence](#)

[157IX Hearsay](#)

[157k315 Statements by Persons Other Than Parties or Witnesses](#)

[157k318 Writings](#)

[157k318\(4\) Reports](#)

Reports received by executive director concerning employee's performance were not hearsay, with respect to issue whether executive director regarded employee as disabled under ADA, inasmuch as reports were used to establish executive director's state of mind, not to prove truth of matter asserted. Americans with Disabilities Act of 1990, § 3(2)(C), [42 U.S.C.A. § 12102\(2\)\(C\)](#); [Fed.Rules Evid.Rule 801\(c\)](#), [28 U.S.C.A.](#)

[14 Cases that cite this headnote](#)

[Attorneys and Law Firms](#)

*[61 Richard B. Wolf](#), Poughkeepsie, NY, for Plaintiff–Appellant Patricia Cameron.

[William L. Wood, Jr.](#), Wood & Scher, Scarsdale, NY, for Defendants–Appellees Community Aid for Retarded Children and William Melville.

Before: [FEINBERG](#), [JACOBS](#), [SACK](#), Circuit Judges.

[Opinion](#)

[JACOBS](#), Circuit Judge.

Patricia Cameron sued her employer, Community Aid for Retarded Children, Inc. (known as the “Keon Center”) and its executive director, William Melville, alleging that they fired her in violation of the Americans with Disabilities Act, [42 U.S.C. § 12101 et seq.](#) (the “ADA”), the Age Discrimination in Employment Act, [29 U.S.C. § 621 et seq.](#) (the “ADEA”), and the New York Human Rights Law, [N.Y. Exec. Law §§ 292, 296 et seq.](#) (McKinney 2001). The United States District Court for the Southern District of New York (Briant, J.) granted summary judgment dismissing Cameron's ADA

and ADEA claims against both defendants, and declined to exercise supplemental jurisdiction over the claims asserted under the New York Human Rights Law.

[1] On appeal from summary judgment, Cameron challenges only the dismissal of her ADA claim against the Keon Center.¹ We affirm that dismissal because Cameron has failed to establish a *prima facie* case of employment discrimination under the ADA.

¹ Cameron's brief refers *passim* to "defendants," but she adduces no argument challenging the district court's conclusion that the claims against defendant William Melville must be dismissed because he is not an employer under the ADA. See *Tomka v. Seiler Corp.*, 66 F.3d 1295, 1317 (2d Cir.1995) (holding analogously that "an employer's agent may not be held individually liable under Title VII"), *abrogated on other grounds by Burlington Indus., Inc. v. Ellerth*, 524 U.S. 742, 118 S.Ct. 2257, 141 L.Ed.2d 633 (1998). She has therefore not raised the issue on appeal.

I

The Keon Center is a non-profit organization that provides job training and other *62 services to developmentally disabled persons. Executive Director Melville hired Cameron in 1984 as part-time manager of the center's thrift shop at a salary of \$6,000. She remained continuously employed at the Keon Center until she was fired in November 2000. Melville promoted her several times during the period of her employment. In April 2000, he promoted Cameron to Associate Director at an annual salary of \$50,000, a managerial post second in authority to himself. That position required supervision of all staff members and interaction with the Keon Center's clients. Her job therefore entailed interaction with Joan Johnston, a staff member whose child was a client of the center.

Melville was aware that Cameron took medication to treat symptoms of anxiety. Throughout her employment, Cameron was permitted to take time off during the day to receive psychiatric counseling.

Until her promotion to Associate Director, Cameron appears to have enjoyed a flawless employment record. However, on October 3, 2000, Cameron was involved in a shouting match with Johnston, who had proposed administrative changes that Cameron opposed. Melville intervened to quiet

the dispute, but over the following days the controversy embroiled other staff members and bubbled up to the Keon Center's Board of Directors. Johnston subsequently resigned, citing Cameron's abusive and intimidating conduct. Cameron suffered an anxiety attack at some point after October 13, 2000, due to increased workplace tensions. On October 17, her psychiatrist, Dr. Knox, informed Melville that she would need a two-week medical leave to recover. On October 26, 2000, the day before she was supposed to return to work, Dr. Knox informed Melville that she would require another week of convalescence, until November 3, 2000. Melville tried to contact Cameron without success, and left a message with her husband asking that she return to work so that any lingering problems could be worked out. Cameron came back on October 30, 2000.

Upon her return, Cameron testified, Melville was "very, very angry and annoyed at me." (Cameron Dep. Tr., dated Nov. 16, 2001, at 319.) She informed him that, on Dr. Knox's advice, she would be working half days until her anxiety attacks abated. On November 2, 2000, Melville asked her in an angry tone whether she would be on a half-day schedule the following week as well, and she responded that she would follow her psychiatrist's advice. The following day Melville called Cameron into his office and demanded her resignation. She refused, and he fired her.

The reason cited by the Keon Center for her discharge is Melville's conclusion that she lacked the managerial skills needed to serve as his Associate Director. He testified that, to his chagrin, her squabble with a subordinate spiraled into a crisis that ultimately involved the center's board. He also cited information detrimental to Cameron that he learned while investigating the dispute between her and Johnston: that Cameron was abusive to subordinates, that she intimidated them to prevent complaints from reaching Melville, that she was not trusted by her staff, and that she had urged the staff to join her in a bid to unseat Melville as Executive Director. Cameron denies the substance of these reports.

The parties agree that Melville knew that Cameron suffered from anxiety, but they disagree as to whether he knew the extent of her psychiatric problems. Cameron testified that Melville was "uptight" about her mental condition and changed the subject whenever she brought it up. (Cameron Dep. Tr. at 318.) An October 19 letter apparently hand-delivered to Melville *63 by her husband diagnosed Cameron with "Bipolar Disorder" and "PTSD" (post-traumatic stress disorder). (Letter from Dr. Knox, dated

October 19, 2000, at 1.) Melville admits knowing that Cameron experienced anxiety attacks, but denies reading the letter or knowing that she suffered from bi-polarity or any other particular psychiatric condition. Cameron testified that she told Melville that she was bi-polar before October 2000, and that “[h]e didn’t seem to care one way or the other.” (Cameron Dep. Tr. at 317.)

II

[2] To establish a *prima facie* case of disability discrimination, a plaintiff must show:

- (1) his employer is subject to the ADA;
- (2) he was disabled within the meaning of the ADA; (3) he was otherwise qualified to perform the essential functions of his job, with or without reasonable accommodation; and (4) he suffered [an] adverse employment action because of his disability.

Giordano v. City of New York, 274 F.3d 740, 747 (2d Cir.2001) (citation omitted). Cameron is considered “disabled” under the ADA if she is “regarded as” suffering from a physical or [mental impairment](#) that “substantially limits one or more of the major life activities,” even if she does not actually suffer from such an impairment. 42 U.S.C. § 12102(2)(A) & (C).

[3] “We review *de novo* the district court’s grant of summary judgment, construing the evidence in the light most favorable to the nonmoving party.” *Giordano*, 274 F.3d at 746. Summary judgment is appropriate where the nonmoving party has failed to establish the existence of a genuine dispute of fact as to an essential element of the claim. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322–23, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986). “[P]urely conclusory allegations of discrimination, absent any concrete particulars,” are insufficient. *Meiri v. Dacon*, 759 F.2d 989, 998 (2d Cir.1985).

The district court concluded that Cameron had failed to meet her *prima facie* burden because she had not established that she was actually disabled or that she was otherwise qualified to be Associate Director. On appeal, Cameron (i) concedes that she is not disabled, but argues that the district court erred in failing to consider whether Melville *regarded* her as disabled within the meaning of the ADA. See 42 U.S.C. §

12102(2)(C); see also *Colwell v. Suffolk County Police Dep’t*, 158 F.3d 635, 646 (2d Cir.1998) (“It is not enough ... that the employer regarded that individual as somehow disabled; rather, the plaintiff must show that the employer regarded the individual as disabled within the meaning of the ADA.”) (emphasis omitted); and (ii) argues that factual disputes exist as to whether she was otherwise qualified. Cameron contends that Melville regarded her as disabled in two ways.

First, relying primarily on the Ninth Circuit’s opinion in *McAlindin v. County of San Diego*, 192 F.3d 1226, 1234 (9th Cir.1999) (holding that employee diagnosed with anxiety, panic, and [somatoform disorders](#) could be substantially impaired in the major life activity of interacting with others), Cameron argues that she is disabled because Melville regarded her as incapable of “interacting with others,” and at the same time demands, as an ADA accommodation, that the Keon Center relieve her of interacting with Johnston, a former employee and step-mother of a client.

This argument raises other questions: [i] whether an inability to interact with others is a disability within the meaning of *64 the ADA, compare *Soileau v. Guilford of Maine, Inc.*, 105 F.3d 12, 16 (1st Cir.1997) (observing that the “inability to interact with others” comes and goes, “triggered by vicissitudes of life which are normally stressful for ordinary people,” and that “[t]o impose legally enforceable duties on an employer based on such an amorphous concept would be problematic”) with *McAlindin*, 192 F.3d at 1234 (“Because interacting with others is an essential, regular function, like walking and breathing, it easily falls within the definition of ‘major life activity.’ ”); and [ii] whether the ADA requires accommodation of a disability that the claimant is regarded as having but does not in fact have, see *Weber v. Strippit, Inc.*, 186 F.3d 907, 917 (8th Cir.1999) (holding that employee who is “regarded as” disabled is not entitled to accommodations under the ADA); *Deane v. Pocono Med. Ctr.*, 142 F.3d 138, 148 n. 12 (3d Cir.1998) (en banc) (identifying but declining to decide the issue); *Katz v. City Metal Co.*, 87 F.3d 26 (1st Cir.1996) (jury to decide whether “regarded as” plaintiff could have performed with reasonable accommodation).

[4] We need not decide these questions, however, because we agree with the district court that several undisputed facts establish that Cameron was unqualified for the job (regardless of how those questions would be answered):

- Cameron and the Keon Center both allege that she is not actually disabled within the meaning of the ADA: Cameron, because she denies a deficit in interaction; and

the Keon Center, because (*inter alia*) it denies that the inability to interact is a disability.

- Cameron alleges that Melville regards her as lacking in an ability to interact; and the Keon Center affirmatively undertakes to show that she was fired from her supervisory position because that ability was lacking in fact.
- Cameron demanded that the Keon Center bar Johnston from entering the building; after that accommodation had been rejected, she demanded as an alternative accommodation that she be allowed to leave the premises when Johnston visited her step-child, and she has sued under the ADA for failure to provide such accommodation (the same argument she makes on appeal); she thus concedes her inability to get along with Johnston, a problem that precipitated Johnston's departure from employment.

Since Cameron's conceded inability to get along with Johnston drove away an employee whom she was supposed to be supervising, and since Cameron does not claim that the inability is caused by any actual disability within the meaning of the ADA, it is clear that she was unqualified to be a supervisor. When an accommodation is requested and denied, and the employee brings an ADA claim premised on that denial, summary judgment may be granted against the plaintiff if the accommodation is one without which performance of an essential job function is impaired, and if the requested accommodation is unreasonable.

[5] Second, Cameron also claims that Melville regarded her as disabled because he believed her to be substantially impaired in the major life activity of working. *See Bartlett v. New York State Bd. of Law Exam'rs*, 226 F.3d 69, 83 (2d Cir.2000) (accepting EEOC regulations defining the term "major life activity" to include working); *but cf. Sutton v. United Air Lines, Inc.*, 527 U.S. 471, 492, 119 S.Ct. 2139, 144 L.Ed.2d 450 (1999) (declining to decide whether working is a "major life activity" under the ADA). To make out this claim, a plaintiff must establish that she was regarded as "significantly restricted in the *65 ability to perform either a class of jobs or a broad range of jobs." 29 C.F.R. § 1630.2(j)(3)(i). "The inability to perform a single, particular job does not constitute a substantial limitation in the major life activity of working." *Id.*; *see also Sutton*, 527 U.S. at 491–92, 119 S.Ct. 2139. Cameron supports this claim with nothing but speculation, and the Keon Center rebuts it entirely with undisputed facts.

It is undisputed that Melville knew at all relevant times that Cameron suffered from anxiety attacks, and that her condition required psychiatric attention; indeed, he authorized time off to allow her to receive the treatment she needed. It is also undisputed that, despite this, he promoted Cameron to position after position of increasing responsibility, including her job as Associate Director, second in command to himself. It is just as clear that, until her confrontation with Johnston and its aftermath, the Keon Center was satisfied with Cameron's ability to work in a wide variety of jobs, and that Melville deemed her capable of being his Associate Director.

Cameron relies on evidence of (1) Melville's apparent unwillingness to discuss her psychiatric condition, and (2) his reliance on alleged factual inaccuracies in arriving at his decision to terminate her. But this evidence fails to create a dispute as to a material fact. Cameron's observation that Melville became "uptight" and changed the subject whenever she mentioned her psychiatric condition could, one supposes, suggest (as Cameron suggests) that he was disturbed and upset by her condition. On the other hand, it could suggest a polite distance, an avoidance of intimacy at work, or a lack of interest. Choosing one explanation over another without more evidence is a matter of speculation, just as it would be speculation to infer from any interest he might have expressed that he was inappropriately fixated on her condition. *Cf. Niagara Mohawk Power Corp. v. Jones Chem., Inc.*, 315 F.3d 171, 177 (2d Cir.2003) ("[B]ecause there is no evidence that points to one party rather than another, the only basis for such a jury finding would be impermissible speculation.")

Nor is it material to the dispute at hand that Cameron contests the truth of the complaints expressed against her to Melville by various employees. Cameron has had the opportunity to take discovery, but adduces no evidence that these complaints were fabricated by Melville. In contrast, it is undisputed that Melville fired Cameron after Johnston resigned, citing Cameron's abusive conduct, and after learning that she had been abusive to Trisha McIntyre, who was a case manager at the time. In addition, both Melville and John McCarthy, a recently hired human resources employee, testified under oath that McCarthy, visibly upset, had told Melville on November 2 that Cameron was criticizing him, asserting her superior ability to be executive director, and pressuring staff to support a planned lawsuit against Melville. Cameron's conclusory denials that these complaints were made before November 3 are not based on personal knowledge and are insufficient to defeat summary judgment. Thus, there is no genuine dispute that Melville fired Cameron after being told of conduct

that indicated a lack of the requisite managerial skills and temperament.

[6] The inaccuracy of those reports does not matter if Melville believed them.² See *Giordano*, 274 F.3d at 748 (“Under *66 42 U.S.C. § 12102(2)(C) (‘regarded as disabled’), the decisive issue is the employer’s *perception* of his or her employee’s alleged impairment.”); cf. *Texas Dep’t of Community Affairs v. Burdine*, 450 U.S. 248, 259, 101 S.Ct. 1089, 67 L.Ed.2d 207 (1981) (“[An] employer has discretion to choose among equally qualified candidates, provided that the decision is not based on unlawful criteria. The fact that a court may think that the employer misjudged the qualifications of the applicants does not in itself expose him to Title VII liability, although this may be probative of whether the employer’s reasons are pretexts for discrimination.”). Here, an inference that Melville fabricated complaints would be based on nothing but speculation, lacking in the “concrete particulars” required to defeat summary judgment. *Meiri v. Dacon*, 759 F.2d 989, 998 (2d Cir.1985). There is evidence that Melville regarded Cameron as unfit; there is no evidence that he formed an erroneous view concerning her psychiatric condition.

2

Because these statements are not used to prove the truth of the matter asserted, but to establish Melville’s state of mind, they are not hearsay as Cameron contends. See Fed.R.Evid. 801(c).

In short, Cameron’s denials are immaterial because they do not call into question Melville’s belief that what he was told was true, and she has thus failed to contradict Melville’s testimony that he believed she was unfit to be his Associate Director.

CONCLUSION

For the foregoing reasons, we affirm the district court’s order granting summary judgment in favor of the defendants.

All Citations

335 F.3d 60, 63 Fed. R. Evid. Serv. 397, 14 A.D. Cases 1001, 26 NDLR P 124

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888 F.2d 806

United States Court of Appeals,
Eleventh Circuit.

William Henry HANSON, Plaintiff-Appellant,

v.

Ralph Stanley WALLER, LVL Inc.,
National Car Rental System Travelers
Insurance Company, Defendants-Appellees.

No. 88-8406. | Nov. 20, 1989.

Plaintiff in wrongful death action appealed from judgment of the United States District Court for the Middle District of Georgia, No. 87-48-COL, J. Robert Elliott, J., entered on jury verdict in favor of defendants. The Court of Appeals, Marcus, District Judge, sitting by designation, held that: (1) trial court properly gave instruction on accident; (2) police officer testifying as reconstruction expert was properly permitted to testify that neither the pedestrian nor the driver had done anything that contributed to the accident; (3) questioning of witness by the court was proper; and (4) letter by plaintiff's attorney to defense attorney stating that truck driver would not have been able to see pedestrian if she had been directly in front of the truck was admissible as an admission by a party opponent.

Affirmed.

West Headnotes (13)

[1] Negligence [Proximate Cause](#)[272 Negligence](#)[272XVIII Actions](#)[272XVIII\(E\) Instructions](#)[272k1740 Proximate Cause](#)[272k1741 In General](#)

(Formerly 272k140)

Under Georgia law, jury charge on accident is proper if there is evidence to support the conclusion that the event in question was an accident.

[Cases that cite this headnote](#)**[2] Negligence** [Proximate Cause](#)[272 Negligence](#)[272XVIII Actions](#)[272XVIII\(E\) Instructions](#)[272k1740 Proximate Cause](#)[272k1741 In General](#)

(Formerly 272k140)

Instruction on accident which did no more than inform the jury that, if they found that neither party was negligent, they would have found that what occurred was an accident, i.e., an occurrence which took place in the absence of negligence and for which no one would be liable, was proper.

[Cases that cite this headnote](#)**[3] Automobiles** [Proximate Cause of Injury](#)[48A Automobiles](#)[48AV Injuries from Operation, or Use of Highway](#)[48AV\(B\) Actions](#)[48Ak246 Instructions](#)[48Ak246\(39\) Applicability to Pleadings and Evidence](#)[48Ak246\(57\) Proximate Cause of Injury](#)

Instruction on accident was supported by evidence that driver of truck would not have seen a pedestrian walking directly in front of his truck, that he kept a proper lookout, that there was shrubbery as high as 20 feet in the area, and that light was green for pedestrian when she began to cross the street but that the light turned green for the truck driver when she was in front of the truck and out of his view.

[Cases that cite this headnote](#)**[4] Evidence** [Matters Directly in Issue](#)[157 Evidence](#)[157XII Opinion Evidence](#)[157XII\(B\) Subjects of Expert Testimony](#)[157k506 Matters Directly in Issue](#)

Testimony of police officer who reconstructed accident that truck driver did not do anything that contributed to the accident was a proper opinion

going to an ultimate issue. [Fed.Rules Evid.Rule 704\(a\)](#), 28 U.S.C.A.

2 Cases that cite this headnote

[5] Evidence

🔑 Matters Directly in Issue

157 Evidence

157XII Opinion Evidence

157XII(B) Subjects of Expert Testimony

157k506 Matters Directly in Issue

Adoption of federal rule dealing with opinion testimony abolished the so-called “ultimate issue rule” which proscribed opinion testimony that ostensibly invaded the province of the jury. [Fed.Rules Evid.Rule 704\(a\)](#), 28 U.S.C.A.

7 Cases that cite this headnote

[6] Evidence

🔑 Matters Directly in Issue

157 Evidence

157XII Opinion Evidence

157XII(B) Subjects of Expert Testimony

157k506 Matters Directly in Issue

To be admissible, expert's opinion on ultimate issue must be helpful to the jury and must be based on adequately explored legal criteria. [Fed.Rules Evid.Rule 704\(a\)](#), 28 U.S.C.A.

9 Cases that cite this headnote

[7] Witnesses

🔑 Calling and Examination by Court

410 Witnesses

410III Examination

410III(A) Taking Testimony in General

410k246 Examination by Court or Jury

410k246(2) Calling and Examination by Court

It is within the province of the trial court's discretion to ask questions of witnesses. [Fed.Rules Evid.Rule 614](#), 28 U.S.C.A.

2 Cases that cite this headnote

[8] Federal Civil Procedure

🔑 Judge's Remarks and Conduct

170A Federal Civil Procedure

170AXV Trial

170AXV(A) In General

170Ak1969 Judge's Remarks and Conduct

Trial court did not stray from neutrality or assume the role of an advocate by asking police officer, who was testifying as reconstruction expert and who had testified that he did not believe that either truck driver or pedestrian had done anything that caused the accident, if the incident was simply a “pure accident.”.

1 Cases that cite this headnote

[9] Federal Civil Procedure

🔑 Objections

170A Federal Civil Procedure

170AXV Trial

170AXV(C) Reception of Evidence

170Ak2017 Objections

170Ak2017.1 In General

(Formerly 170Ak2017)

Rule dealing with objections to questioning of witness by the judge is designed to relieve counsel of the embarrassment attendant upon objecting to questions by the judge in the presence of the jury, while at the same time assuring that objections are made in apt time to afford the opportunity to take possible corrective measures; rule does not entirely relieve the litigant of his duty to object in order to preserve the exception on appeal and party who fails to object the next available time when the jury is not present waives the error unless it is plain error. [Fed.Rules Evid.Rule 614\(c\)](#), 28 U.S.C.A.

7 Cases that cite this headnote

[10] Evidence

🔑 What Constitutes Offer

157 Evidence

157VII Admissions

157VII(A) Nature, Form, and Incidents in General

157k212 Offers of Compromise or Settlement

157k213 In General

157k213(2) What Constitutes Offer

Letter from plaintiff's attorney to defendant's attorney which accompanied photographs taken at the scene of the accident and photographs of the type of truck which the defendant was driving and which stated that it would have

been impossible for the defendant to see the pedestrian if she had reached a position directly in front of the truck was not an inadmissible offer of compromise. [Fed.Rules Evid.Rule 408](#), 28 U.S.C.A.

[4 Cases that cite this headnote](#)

[11] Evidence

Attorneys

157 Evidence

157VII Admissions

157VII(D) By Agents or Other Representatives

157k246 Attorneys

Letter from plaintiff's attorney to defense attorney which stated that defendant truck driver would not have been able to see pedestrian if she were directly in front of the truck when traffic light changed was properly admitted as an admission of a party opponent. [Fed.Rules Evid.Rule 801](#), 28 U.S.C.A.

[6 Cases that cite this headnote](#)

[12] Attorney and Client

Commencement and Conduct of Litigation

45 Attorney and Client

45II Retainer and Authority

45k87 Commencement and Conduct of Litigation

45k88 In General

Attorney does not have authority to make out-of-court admission for his client in all instances but he does have authority to make admissions which are directly related to the management of the litigation. [Fed.Rules Evid.Rule 801](#), 28 U.S.C.A.

[4 Cases that cite this headnote](#)

[13] Federal Civil Procedure

Judge's Remarks and Conduct

170A Federal Civil Procedure

170AXV Trial

170AXV(A) In General

170Ak1969 Judge's Remarks and Conduct

Trial court did not err in expressing his opinion of qualifications of witness in front of the jury where he merely stated that, based on listening to testimony about witness' training and

qualifications, he was qualified as an expert to answer a particular question posed to him.

[2 Cases that cite this headnote](#)

Attorneys and Law Firms

***807** Douglas L. Breault, Columbus, Ga., for plaintiff-appellant.

James P. Boston and Bryan F. Dorsey, R. Chris Irwin & Associates, Atlanta, Ga., for defendants-appellees.

Appeal from the United States District Court for the Middle District of Georgia.

Before RONEY^{*} and HILL^{*}, Senior Circuit Judges, and MARCUS^{**}, District Judge.

^{*} See Rule 34-2(b), Rules of the U.S. Court of Appeals for the Eleventh Circuit.

^{**} Honorable Stanley Marcus, U.S. District Judge for the Southern District of Florida, sitting by designation.

Opinion

MARCUS, District Judge:

This wrongful death case appears before us on one charge of error in the district court's instructions to the jury, three charges of error in rulings upon evidentiary issues and one claimed error in a certain statement made by the district court in the presence of the jury. We find no reversible error in any of these claims and, accordingly, affirm the judgment of the district court.

***808 I. Factual Background**

Appellants brought this action on behalf of the deceased, Alfaretta Spina ("Spina") who died of injuries sustained after being struck by a truck driven by Appellee Ralph Waller ("Waller"). On April 25, 1985, a tractor-trailer truck operated by Waller was stopped for a red light in the far right lane of a four lane street at a downtown Columbus, Georgia, intersection. Ms. Spina, 77 years old at the time, started to walk from the sidewalk to the right of the truck across the street. When she was in front of the truck, the light changed

from red to green, and the truck proceeded forward, striking the deceased.

At trial, Appellants contended that the truck driver was negligent in stopping in the crosswalk, failing to keep a proper lookout, failing to yield to a pedestrian in the crosswalk and in failing to discover the pedestrian. Appellees argued that Waller, who never saw the deceased until exiting the truck after the deceased was struck, was not negligent, but rather that Ms. Spina was negligent in traveling into the street on a yellow light, in failing to get out of the way of the truck, in hesitating in her journey in front of the truck and in walking too close to the truck. The jury found for the Appellees.

II. Jury Charge of Accident

First, Appellants contend that the district court committed reversible error by giving a charge on “accident” to the jury, because, they claim, the evidence necessarily showed that either the truck driver was negligent or the deceased was negligent. The district court charged the jury on “accident” in these terms:

Now, finally, in talking about negligence, comparative negligence, giving you all these statutes, if you find that nobody was negligent in the circumstances here-if you find that the truck driver was not negligent and no negligence on his part was a proximate cause of this injury, if you find that the deceased lady was not negligent, no negligence on her part was a proximate cause-then you would've concluded that there wasn't any negligence on the part of anybody that was the cause of this incident, that it was something that just happened, what the law calls a pure accident. That means where there was not any negligence on the part of anybody that caused it. It was something that just happened.

Of course, if you conclude that, then the plaintiff would not be entitled to recover because those two things that I first pointed out had to be proved would not have appeared. So it's just a question of what you determine.

See Record Vol. 2 at 227.

[1] Georgia law on the charging of accident is set out in *Chadwick v. Miller*, 169 Ga.App. 338, 312 S.E.2d 835, 840 (1983):

The defense of accident in this state is to be confined to its strict sense as an occurrence which takes place in the *absence of negligence* and for which *no one would be liable*. Unless there is evidence authorizing a finding that the occurrence was an “accident” as thus defined, a charge on that defense is error.

(emphasis in original) (citing *Morrow v. Southeastern Stages* [68 Ga.App. 142], 22 S.E.2d 336 (Ga.App.1942); *Toles v. Hair* [83 Ga.App. 144], 63 S.E.2d 3 (Ga.App.1951) (adopting definition of accident applied by the Georgia Supreme Court in *Everett v. Clegg* [213 Ga. 168], 97 S.E.2d 689 (Ga.App.1957)).

Under Georgia law, a jury charge on accident is proper if there is evidence to support the conclusion that the event in question was an accident. *Kent v. Henson*, 174 Ga.App. 400, 330 S.E.2d 126, 129 (1985) (no error in giving charge on accident); *Reed v. Heffernan*, 171 Ga.App. 83, 318 S.E.2d 700, 705 (1984) (no error); *Wilhite v. Tripp*, 179 Ga.App. 428, 346 S.E.2d 586, 587 (1986) (no error); *Southern Railway Co. v. Georgia Kraft Co.*, 188 Ga.App. 623, 373 S.E.2d 774, 777 (1988) (no error where jury was given accident charge in situation where the evidence presented the jury with an alternative that the collision could have occurred, notwithstanding the exercise of due care on the part of both parties). In the instant case, our task is to determine whether “evidence *809 presented to the jury ... could conceivably support a finding that neither [the decedent] nor Appellees were negligent.” *Andres v. Roswell-Windsor Village Apartments*, 777 F.2d 670, 674 (11th Cir.1985) (holding that charge as to legal accident was proper under Georgia law). Here the charge was proper.

[2] [3] In our view, the district court's instruction on accident did no more than inform the jury that if they found that neither party was negligent, then they would have found that what occurred was an accident-an occurrence which took place in “the absence of negligence and for which no one would be liable.” *Chadwick*, 312 S.E.2d at 840. The evidence presented to the jury was sufficient to support a finding that neither party was negligent and, therefore, it was not error to charge an accident. To begin, testimony was presented that Waller could not see a pedestrian walking directly in front of the truck. See Record, Vol. 2 at 100, 125-36. Further testimony revealed that none of the witnesses to the event saw from where Ms. Spina began to walk across the street. See Record, Vol. 2 at 33, 53. Therefore, the deceased could have been walking on the sidewalk directly beside the side of

Waller's truck and then turned left to cross the street in front of the truck. The evidence was also ambiguous as to where the truck had stopped-at or before the unmarked crosswalk. In addition, testimony was presented to show that there was shrubbery in the area and that the shrubbery could be as high as 20 feet. *See* Record, Vol. 2 at 130-31. This shrubbery, the jury could have concluded, blocked the truck driver's view of the deceased. Waller testified that he did look to his left and right prior to accelerating. *See* Record, Vol. 2 at 100, 110. Moreover, although no witness at trial had been in a position to say that the light was green for the deceased when she began to cross the street, the jury could have concluded that the light was green for her at the time she began to cross. One witness, who was in his car stopped at the traffic light heading in the opposite direction of the truck, said that the light turned green for his direction at a time when Ms. Spina was in front of the truck. *See* Record Vol. 2 at 26, 34. We add that no testimony was presented concerning possible negligence of a third party for the inoperative "walk/don't walk" sign.

In short, evidence was presented from which the jury could reasonably conclude that Defendant Waller had not breached any duty of reasonable care that he owed to pedestrians. Evidence showed that he looked both ways for pedestrians and not seeing anyone, nor being able to see anyone who was walking the path of deceased in crosswalk or anywhere else near his vehicle, he proceeded forward at an ordinary pace. Moreover, evidence showed that the deceased had the green light and proceeded to cross, with the light, but that when the light turned yellow and then red, she was unable to move to a position where she would not be struck. The evidence was more than sufficient to support a jury finding that the deceased was not negligent in her actions as well.¹ Accordingly, sufficient evidence was adduced at trial to justify the district court's instruction on accident, *810 and we find that no error was committed.

¹ We are unpersuaded by Appellants' contention that it is error to charge legal accident in "blind spot" cases. Neither of the two cases cited by Appellants compel such a conclusion. In *Stroud v. Woodruff*, 183 Ga.App. 628, 359 S.E.2d 680 (1987), the court had stated hypothetically that "any error which may have been committed by the trial court in charging on the doctrine of legal accident was rendered moot by the jury's verdict awarding damages to the appellant [plaintiff]...." *Id.* 359 S.E.2d at 682. Not only did the court not decide whether the accident charge was justified, the court also did not address the issue of whether the existence of a blind spot precludes a finding of non-negligence. Thus, the *Stroud*

case fails to provide guidance. The other "blind spot" case, *McClure v. Georgia Power Co.*, 171 Ga.App. 257, 319 S.E.2d 93 (1984), simply fails to provide analysis on the impact of the existence of a blind spot. The court summarily stated that "under the circumstances here, the charge on legal accident was improper." *Id.* 319 S.E.2d at 96. However, the court did not evaluate which circumstances made the charge improper. The existence of a blind spot does not necessarily preclude a finding of non-negligence on the part of the driver whose vehicle has a blind spot and which blind spot was a causal factor in a collision. The cases cited by Appellants do not prohibit such a finding.

III. Evidentiary Issues

Appellants further charge as error three events at trial all relating to the testimony of Detective Mark Starling, called on direct examination by the Plaintiff. Appellants contend that the district court committed error by permitting the detective, who was qualified as an expert, to testify that in his opinion neither the truck driver nor the pedestrian did anything wrong or anything that contributed to the accident. Appellants also claim error because the district court briefly questioned the witness. The following sequence of questioning between counsel for Defendant and Detective Starling occurred at trial:

Q: Well, I just want to be sure, you know. There's a lot and I may have left something out.

Okay. Now, having completed your investigation and all on this accident and having-have you been able to reconstruct how it happened?

A: I have an opinion, yes, sir.

Q: Why don't you just tell us how you've been able to reconstruct how this accident happened?

A: How I reconstructed it was based on my findings from what the witnesses told me plus what we found at the scene plus what the driver told us.

Q: And your conclusion, sir?

A: Was that the deceased was attempting to cross Fourteenth Street. She came to the intersection. Traffic westbound and eastbound were stopped for red traffic signal. Evidently she assumed she had the right-of-way and stepped out in front of the truck. The driver did not see her, the light turned green and he proceeded westbound on Fourteenth Street.

Q: Do you think the driver did anything that contributed to this accident?

MR. BREault (Counsel for Plaintiff): Objection, Your Honor. That's for the jury to decide.

THE COURT: Yes-

MR. DORSEY: Judge, may I speak on that?

THE COURT: Well-

MR. DORSEY: I think he's an expert witness based on the amount of automobile reconstruction he's done. I think under rule seven oh whatever it is I think he can-I think he can give his opinion.

THE COURT: Well, yes, I suppose so, because I listened to his testimony about his training and qualifications and so on. So I think he'd come within the category of a witness who would have the right to express an opinion about it.

MR. BREault: Okay.

THE COURT: I wouldn't say it of every police officer, but I would say it of this one, because of his training and background and experience. So I'll let him answer the question.

THE WITNESS: Would you please repeat the question, please?

BY MR. DORSEY:

Q: Just thinking about something else here. I think I asked you if the truck-if Mr. Waller, who was driving the truck, in your opinion did anything that contributed to this accident.

A: No.

Q: No, meaning he did not do anything that contributed to this accident?

A: In my opinion he did nothing wrong.

Q: All right, sir. Now, in your opinion did the deceased do anything that contributed to the accident?

A: No.

MR. DORSEY: All right, sir.

THE COURT: In other words, is what you're saying is it was just pure accident?

THE WITNESS: In my opinion, Judge, this was nothing but just a pure accident.

MR. DORSEY: Isn't it your opinion, Officer Starling, that the deceased violated the pedestrian rules?

MR. BREault: Just a minute now. I object. He's given his opinion and-

THE COURT: No, he asked about the driver. Now he's asking about the pedestrian.

*811 MR. BREault: He's already answered the pedestrian did nothing wrong either.

MR. DORSEY: Well, I'm asking the question a slightly different way, preparing for some impeachment.

THE COURT: Go ahead. Go ahead.

Q: In your opinion, did the pedestrian commit any violations?

A: Pedestrian did not commit any chargeable violations.

See Record Vol. 2 at 140-42.

A. Opinion of Detective Starling

[4] Based on testimony presented concerning Detective Starling's background on accident reconstruction and investigation, there can be no doubt that he was properly qualified as an expert witness pursuant to [Rule 702 of the Federal Rules of Evidence](#). Appellants do not dispute that Starling was properly qualified as an expert. Rather, the issue here is whether it was proper for the expert to give the kind of opinion he rendered at trial. [Fed.R.Evid. 704\(a\)](#) provides:

Except as provided in subdivision (b) testimony in the form of an opinion or inference otherwise admissible is not objectionable because it embraces an ultimate issue to be decided by the trier of fact.

In our view, the opinion rendered, in going to an ultimate issue, was proper in accordance with [Rule 704\(a\)](#).

[5] The adoption of [Rule 704](#) abolished the so-called “ultimate issue rule” which proscribed opinion testimony that ostensibly invaded the province of the jury. *See Fed.R.Evid. 704* Advisory Committee Note; ² *Haney v. Mizell Memorial Hospital*, 744 F.2d 1467, 1473 (11th Cir.1984); 3 J. Weinstein & M. Berger, Weinstein's Evidence Para. 704 [01]-[02] (1982); 11 J. Moore & H. Bendix, Moore's Federal Practice §§ 704.01 [3]-704.10 (2d ed. 1982). As this Court has noted, the distinction between whether challenged testimony is either an admissible factual opinion or an inadmissible legal conclusion is not always easy to perceive. *Haney v. Mizell Memorial Hospital*, 744 F.2d at 1473-74; *see Owen v. Kerr-McGee Corp.*, 698 F.2d 236, 240 (5th Cir.1983); *see generally* Comment, *The Admissibility of Expert Witness Testimony: Time to Take the Final Leap?* 42 U. Miami L.Rev. 831 (1988).

² These notes provide in pertinent part:

The abolition of the ultimate issue rule does not lower the bars so as to admit all opinions. Under [Rules 701](#) and [702](#) opinions must be helpful to the trier of fact, and [Rule 403](#) provides for exclusion of evidence which wastes time. These provisions afford ample assurances against the admission of opinions which would merely tell the jury what result to reach, somewhat in the manner of the oath-helpers of an earlier day. They also stand ready to exclude opinions phrased in terms of inadequately explored legal criteria. Thus the question, “Did T have capacity to make a will?” would have sufficient mental capacity to know the nature and extent of his property and the natural objects of his bounty and to formulate a rational scheme of distribution? would be allowed.

Fed.R.Evid. 704 advisory committee note (citation omitted).

As we previously observed in the *Haney* case:

Our research indicates that the law in this circuit pertaining to the admissibility of an expert's opinion couched in legal terms is not crystal clear. We have found one decision antedating the adoption of the Federal Rules of Evidence which appears directly on point. The former Fifth Circuit, in *Steinberg v. Indem. Ins. Co.*, 364 F.2d 266, 273-74 (5th Cir.1966), held in a medical malpractice action that an expert witness could testify that in his opinion malpractice had occurred. The court expressly rejected the argument that this opinion was objectionable as going to the ultimate legal issue in the case, reasoning that malpractice actions

required expert testimony and this type of opinion aided the trier of fact. *Id.* at 274.

We also have discovered a pre-Federal Rules of Evidence decision which reasonably can be seen as undercutting the force of the *Steinberg* holding. In *Bender v. Dingwerth*, 425 F.2d 378, 384 (5th Cir.1970), the court stated that allowing plaintiff's doctors to testify that in their opinion the defendant committed acts amounting to malpractice “invade[d] the fact finding function of the jury.” The *812 court then noted with approval law of the forum state which would exclude this opinion on the basis that what constitutes negligence or malpractice is a mixed question of law and fact. *Id.* To be sure, the view expressed by the *Bender* court is dictum, and is in part based on state law. The *Bender* decision nevertheless is difficult to ignore or dismiss out of hand.

More recent decisions underscore the lamentable fact that the adoption of [Rule 704](#) did not totally dispel the confusion over the admissibility of expert opinions arguably amounting to conclusion of law. *See, e.g., Owen v. Kerr-McGee Corp.*, 698 F.2d at 240 (court read former Fifth Circuit cases as proscribing expert opinion amounting to legal conclusion, and noted after discussing [Rule 704](#) that not only did such testimony invade the province of the court, it was irrelevant as well); *United States v. Fogg*, 652 F.2d 551, 556-557 (5th Cir. Unit B 1981), *cert. denied*, 456 U.S. 905, 102 S.Ct. 1751, 72 L.Ed.2d 162 (1982) (court, in tax evasion case, held that accountant's opinion that certain funds would be considered constructive dividends admissible since not phrased as judicial instructions to jury and witness should have adequate knowledge of tax laws to allow introduction of his opinion); *United States v. Milton*, 555 F.2d 1198, 1203 (5th Cir.1977) (court in illegal gambling prosecution, held admissible expert testimony that certain wagers were “lay off” bets, yet took pains to note that although [Rule 704](#) abolished the per se rule against testimony on ultimate issue of fact, court still “must remain vigilant against the admission of legal conclusions.”)

Haney v. Mizell Memorial Hospital, 744 F.2d at 1474 n. 7.

[6] Here, the record reflects that the district court considered whether the opinion asked of Detective Starling would be proper under the rules of Evidence when he ruled adversely to Appellants. *See* Record Vol. 2 at 140-141. To be admissible under [rule 704](#), an expert's opinion on an ultimate issue must be helpful to the jury and also must be based on adequately

explored legal criteria. *Haney*, 744 F.2d at 1474. Although the record does not fully reveal the district court's reasons for ruling as it did, the court could easily have concluded that the expert's opinion on whether the driver or pedestrian contributed to the accident or did anything wrong would be helpful to the jury in deciding whether either party was negligent. The questions asked the expert by counsel were not phrased in terms of inadequately explored legal criteria. We conclude that no error can be assigned to these opinions rendered by the expert witness.

B. Questioning by District Court

[7] A more difficult question is posed by the Appellants' claim that the district court erred by asking Detective Starling the following question—"In other words what you're saying is it was just pure accident?"—and in receiving the following answer by the witness Starling—"In my opinion, Judge, this was nothing but pure accident." See Record Vol. 2 at 142. To begin, it is within the province of the trial court's discretion to ask questions of witnesses. Rule 614 of the Federal Rules of Evidence provides in pertinent part:

Rule 614. Calling and Interrogating of Witnesses by Court

(b) Interrogation by court. The court may interrogate witnesses whether called by itself or by a party.

(c) Objections. Objections to the calling of witnesses by the court or to interrogation by it may be made at the time or at the next available opportunity when the jury is not present.

The authority of the judge to question witnesses is well established. See Fed.R.Evid. 614 Advisory Committee Note. Such authority, however, is "abused when the judge abandons his proper role and assumes that of [an] advocate." *Id.*

In *Moore v. United States*, 598 F.2d 439, 442 (5th Cir.1979), the former Fifth Circuit discussed the trial court's proper role in the presentation of evidence in a criminal proceeding.

*813 It is axiomatic ... that '[t]he trial judge has a duty to conduct the trial carefully, patiently, and impartially. He must be above even the appearance of being partial to the prosecution.' On the other hand, a federal judge is not a mere moderator of proceedings. He is a common law judge having that authority historically exercised by judges in the common law process. *He may comment on the evidence, may question witnesses and elicit facts not yet adduced or clarify those presented*, and may maintain the pace of the trial by interrupting or cutting off counsel as a matter

of discretion[.] *Only when the judge's conduct strays from neutrality is the defendant thereby denied a constitutionally fair trial.* (citations omitted) (emphasis added)

Although *Moore* concerned a criminal proceeding, the analysis is equally applicable to the civil arena.

[8] The record of this case does not show that the trial court strayed from neutrality or assumed the role of an advocate. The question concerning "pure accident" was merely an attempt at clarification on the part of the trial court. And it is entirely proper for the trial court to make inquiries of a witness in order to clarify the evidence presented. See *Van Leirsburg v. Sioux Valley Hospital*, 831 F.2d 169, 172-73 (8th Cir.1987); *Mosco v. Baltimore & Ohio Railroad*, 817 F.2d 1088, 1093 (4th Cir.1987).

[9] Moreover, the transcript shows that Appellants failed to object either at the time the question was asked or at the next available opportunity when the jury was not present. Rule 614(c), relating to objections, is designed to relieve counsel of the embarrassment attendant upon objecting to questions by the judge in the presence of the jury, while at the same time assuring that objections are made in apt time to afford the opportunity to take possible corrective measures. *Id.* Although Rule 614(c) does not entirely relieve the litigant of his duty to object in order to preserve the exception on appeal, where a party fails to object in a timely manner, i.e., at the next available time when the jury is not present, objection to the alleged error will be deemed waived unless it constitutes plain error. See *United States v. Vega*, 589 F.2d 1147, 1152-53 (2d Cir.1978) (waiver); *United States v. Hickman*, 592 F.2d 931, 936 (6th Cir.1979) (plain error standard); *Weissenberger's Federal Evidence* § 614.4 (1987).

We conclude that neither the question posed by the district court nor the opinion provided by the expert constituted error.

C. Admission of Letter Into Evidence

Finally, Appellants contend that it was error to allow the Defendant at trial to put into evidence, a letter from Appellants' first attorney Mr. Thompson to Defendant's attorney Mr. Dorsey. The letter, as read into the evidence, indicated the following:

Dear Mr. Dorsey: As per my previous letter to you of June the 29th, 1987, enclosed herewith please find copies of the photographs taken from the

scene of the accident along with photographs taken from the same type truck the Defendant Waller was driving, which shows it impossible for him to see Ms. Spina if in crossing the street she had reached a position directly in front of the truck when the traffic light changed. If you care to discuss the matter with me, please feel free to call and with kindest personal regards, I remain, Very truly yours,
Thomas L. Thompson, Jr.

See Record, Vol. 2 at 197. Appellants claim that the contents of this letter contain an offer of compromise excluded by Fed.R.Evid. 408³ and objected at trial on *814 those grounds. See Record, Vol. 2 at 194. Upon the protest of Mr. Breault, Appellants' trial counsel, that "It's [the letter] an invitation to try to settle the case." the district court stated that "... there's nothing said in that letter about compromise, nothing said in the letter about compromise. He's not offering to take any amount. He's not asking them to pay any amount. There's nothing said in the letter about compromise." See Record, Vol. 2 at 194-95.

³ Rule 408, Fed.R.Evid. provides:

Evidence of (1) furnishing or offering or promising to furnish or (2) accepting or offering or promising to accept, a valuable consideration in compromising or attempting to compromise a claim which was disputed as to either validity or amount, is not admissible to prove liability for or invalidity of the claim or its amount. Evidence of conduct or statements made in compromise negotiations is likewise not admissible. This rule does not require exclusion when the evidence is offered for another purpose, such as proving bias or prejudice of a witness, negating a contention of undue delay, or proving an effort to obstruct a criminal investigation or prosecution.

[10] We agree with the district court that the letter does no more than mention that it enclosed photographs of the accident and stated that the photographs showed that the truck driver would not have been able to see the deceased if she had been standing directly in front of the truck and that counsel asked opposing counsel to discuss this case. The contents of the letter are not evidence of "(1) furnishing or offering or promising to furnish, or (2) accepting or offering or promising to accept a valuable consideration in

compromising or attempting to accept, a claim which was disputed as to either validity or amount." Fed.R.Evid. 408.

[11] [12] The letter, not constituting an offer of compromise, was properly admitted as an admission by a party opponent, pursuant to Fed.R.Evid. 801. Rule 801(d)(2)(C)⁴ specifically excludes statements used against a party which were made by another person authorized by the party to make a statement concerning the subject, from the definition of hearsay. This provision has been applied to allow in evidence statements made by attorneys in a representational capacity. See, e.g., *United States v. Ojala*, 544 F.2d 940, 946 (8th Cir.1976); *Williams v. Union Carbide Co.*, 790 F.2d 552, 555-56 (6th Cir.1986). Although an attorney does not have authority to make an out-of-court admission for his client in all instances, he does have authority to make admissions which are directly related to the management of litigation. *United States v. Dolleris*, 408 F.2d 918, 921 (6th Cir.1969), cert. denied, 395 U.S. 943, 89 S.Ct. 2014, 23 L.Ed.2d 461 (1968). In the instant case, the letter sent by Mr. Thompson to Mr. Dorsey was clearly related to the management of the Appellants' litigation. Therefore, the contents of the letter fall within the hearsay exclusion provided by Rule 801(d)(2)(C). Finally, we observe that the Appellants have not demonstrated that the revelation of the contents of the letter was harmful to their case at trial. Accordingly, we find no error.

⁴ Rule 801(d)(2), Fed.R.Evid. provides:

(2) Admission by party-opponent. The statement is offered against a party and is (A) the party's own statement in either an individual or a representative capacity or (B) a statement of which the party has manifested an adoption or belief in its truth, or (C) a statement by a person authorized by the party to make a statement concerning the subject, or (D) a statement by the party's agent or servant concerning a matter within the scope of the agency or employment, made during the existence of the relationship, or (E) a statement by a coconspirator of a party during the course and in furtherance of the conspiracy.

IV. Trial Court's Statement Regarding Expert's Qualifications

[13] Appellants also assign as error the court's expression of its opinion of the qualifications of the witness, Detective Starling. See Record Vol. 2 at 141. In our view, no error

was committed. The district judge merely stated that based on listening to testimony about the witness' training and qualifications this particular police officer was qualified as an expert witness to answer a particular question posed to him. No error was committed in explicating such a ruling in the presence of the jury. And again, no objection was made by Appellants at trial.

Appellants' contentions of error are unavailing and the judgment of the district court is AFFIRMED.

All Citations

888 F.2d 806, 29 Fed. R. Evid. Serv. 263

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Distinguished by [U.S. v. Coutentos](#), 8th Cir.(Iowa), August 10, 2011

270 F.3d 681

United States Court of Appeals,
Eighth Circuit.

Fred LAUZON, Plaintiff–Appellant,

v.

SENCO PRODUCTS, INC., Defendant–Appellee.

No. 01–1058. | Submitted: Aug.
21, 2001. | Filed: Oct. 26, 2001.

Carpenter brought personal injury action against manufacturer of pneumatic nailer, alleging negligence, breach of warranty, manufacturing defect and design defect, and manufacturer moved for summary judgment. The United States District Court for the District of Minnesota, James M. Rosenbaum, Chief District Judge, [123 F.Supp.2d 510](#), granted summary judgment. Carpenter appealed. The Court of Appeals, [Lay](#), Circuit Judge, held that proffered testimony of proposed expert witness was reliable and relevant.

Reversed and remanded.

West Headnotes (18)

[1] Evidence [Determination of question of competency](#)[157](#) Evidence[157XII](#) Opinion Evidence[157XII\(C\)](#) Competency of Experts[157k546](#) Determination of question of competency

District court is “gatekeeper” for admissibility of expert testimony, as is true when district court passes upon admissibility of any evidence.

[22](#) Cases that cite this headnote**[2] Federal Courts** [Admission or exclusion in general](#)[170B](#) Federal Courts[170BXVII](#) Courts of Appeals[170BXVII\(K\)](#) Scope and Extent of Review[170BXVII\(K\)2](#) Standard of Review[170Bk3576](#) Procedural Matters[170Bk3598](#) Evidence[170Bk3598\(2\)](#) Reception of Evidence[170Bk3598\(4\)](#) Admission or exclusion in general
(Formerly [170Bk823](#))

Standard of review as to admissibility of evidence is for abuse of discretion, and in exercising such review, Court of Appeals gives great deference to ruling of trial court.

[1](#) Cases that cite this headnote**[3] Federal Courts** [Expert evidence and witnesses](#)[170B](#) Federal Courts[170BXVII](#) Courts of Appeals[170BXVII\(K\)](#) Scope and Extent of Review[170BXVII\(K\)2](#) Standard of Review[170Bk3576](#) Procedural Matters[170Bk3600](#) Expert evidence and witnesses(Formerly [170Bk824](#))

Abuse of discretion standard applies as much to trial court's decisions about how to determine reliability of proposed expert witness as to its ultimate conclusion.

[1](#) Cases that cite this headnote**[4] Evidence** [Preliminary evidence as to competency](#)[157](#) Evidence[157XII](#) Opinion Evidence[157XII\(C\)](#) Competency of Experts[157k545](#) Preliminary evidence as to competency

Proponent of expert testimony must prove its admissibility by a preponderance of the evidence.

[114](#) Cases that cite this headnote**[5] Evidence** [Matters involving scientific or other special knowledge in general](#)[157](#) Evidence[157XII](#) Opinion Evidence[157XII\(B\)](#) Subjects of Expert Testimony[157k508](#) Matters involving scientific or other special knowledge in general

Rule governing admissibility of expert testimony reflects attempt to liberalize rules governing admission of expert testimony; rule is one of admissibility rather than exclusion. [Fed.Rules Evid.Rule 702](#), 28 U.S.C.A.

71 Cases that cite this headnote

[6] Evidence

🔑 [Matters involving scientific or other special knowledge in general](#)

Evidence

🔑 [Necessity of qualification](#)

Evidence

🔑 [Necessity and sufficiency](#)

[157 Evidence](#)

[157XII Opinion Evidence](#)

[157XII\(B\) Subjects of Expert Testimony](#)

[157k508 Matters involving scientific or other special knowledge in general](#)

[157 Evidence](#)

[157XII Opinion Evidence](#)

[157XII\(C\) Competency of Experts](#)

[157k535 Necessity of qualification](#)

[157 Evidence](#)

[157XII Opinion Evidence](#)

[157XII\(D\) Examination of Experts](#)

[157k555 Basis of Opinion](#)

[157k555.2 Necessity and sufficiency](#)

To be admissible, proposed expert testimony must meet three prerequisites: (1) evidence based on scientific, technical, or other specialized knowledge must be useful to finder of fact in deciding ultimate issue of fact, (2) proposed witness must be qualified to assist finder of fact, and (3) proposed evidence must be reliable or trustworthy in an evidentiary sense, so that, if finder of fact accepts it as true, it provides the assistance the finder of fact requires. [Fed.Rules Evid.Rule 702](#), 28 U.S.C.A.

132 Cases that cite this headnote

[7] Evidence

🔑 [Matters involving scientific or other special knowledge in general](#)

Evidence

🔑 [Necessity and sufficiency](#)

[157 Evidence](#)

[157XII Opinion Evidence](#)

[157XII\(B\) Subjects of Expert Testimony](#)

[157k508 Matters involving scientific or other special knowledge in general](#)

[157 Evidence](#)

[157XII Opinion Evidence](#)

[157XII\(D\) Examination of Experts](#)

[157k555 Basis of Opinion](#)

[157k555.2 Necessity and sufficiency](#)

In performing gatekeeper role to screen expert testimony for relevance and reliability, court, under [Daubert](#), can apply such nonexclusive factors as whether theory or technique can be, and has been, tested, whether theory or technique has been subjected to peer review and publication, known or potential rate of error, and whether theory has been generally accepted; additional factors might include whether expertise was developed for litigation or naturally flowed from expert's research, whether proposed expert ruled out other alternative explanations, and whether proposed expert sufficiently connected proposed testimony with facts of case. [Fed.Rules Evid.Rule 702](#), 28 U.S.C.A.

149 Cases that cite this headnote

[8] Evidence

🔑 [Due care and proper conduct](#)

[157 Evidence](#)

[157XII Opinion Evidence](#)

[157XII\(D\) Examination of Experts](#)

[157k555 Basis of Opinion](#)

[157k555.7 Due care and proper conduct](#)

Fact that witness performed extensive testing on pneumatic nailer involved in accident, along with fact that he had testified as expert in numerous other cases involving injuries resulting from use of pneumatic air guns, weighed heavily in favor of admitting his testimony as expert witness in action for personal injury caused by nailer, even though testing was unable to duplicate events of accident as described by plaintiff; witness's testing objectively excluded plaintiff's claim that nailer had manufacturing defect, providing additional trustworthiness to witness's opinion, and led to conclusion that design defect had caused double-firing of nailer.

3 Cases that cite this headnote

[9] **Evidence**

🔑 Necessity and sufficiency

157 Evidence
157XII Opinion Evidence
157XII(D) Examination of Experts
157k555 Basis of Opinion
157k555.2 Necessity and sufficiency

Fact of publication, or lack thereof, in a peer reviewed journal will be a relevant, though not dispositive, consideration, in determining admissibility of proposed expert testimony; focus remains on reliability.

52 Cases that cite this headnote

[10] **Evidence**

🔑 Due care and proper conduct

Evidence

🔑 References to authorities on subject

157 Evidence
157XII Opinion Evidence
157XII(D) Examination of Experts
157k555 Basis of Opinion
157k555.7 Due care and proper conduct
157 Evidence
157XII Opinion Evidence
157XII(D) Examination of Experts
157k556 References to authorities on subject

Even though proposed expert witness's expertise relating to pneumatic nail guns had not been extensively reviewed, peer review factor weighed in favor of admitting witness's proffered opinion that bottom-fire pneumatic nailer was unreasonably dangerous and that sequential-fire nailer was safer alternative design, particularly in view of fact that onset of pneumatic gun injuries was only recent occurrence; witness's article on pneumatic nailers, which appeared in engineering journal, came to same conclusion, and was supported by two independent articles.

4 Cases that cite this headnote

[11] **Evidence**

🔑 Due care and proper conduct

Evidence

🔑 References to authorities on subject

157 Evidence
157XII Opinion Evidence
157XII(D) Examination of Experts
157k555 Basis of Opinion
157k555.7 Due care and proper conduct
157 Evidence
157XII Opinion Evidence
157XII(D) Examination of Experts
157k556 References to authorities on subject

General acceptance factor weighed substantially in favor of accepting proffered expert testimony of witness as to hazards associated with bottom-fire pneumatic nailer's propensity to double-fire and as to reasonable alternative of sequential-fire nailer; report by Washington State Department of Labor and Industries, and article in magazine, agreed with witness's conclusions, and plaintiff's employer testified that the particular nailer which injured plaintiff had tendency to double-fire.

Cases that cite this headnote

[12] **Evidence**

🔑 Necessity and sufficiency

157 Evidence
157XII Opinion Evidence
157XII(D) Examination of Experts
157k555 Basis of Opinion
157k555.2 Necessity and sufficiency

That an expert testifies based on research he has conducted independent of litigation provides important, objective proof that the research comports with the dictates of good science; an expert's finding that flows from research independent of litigation is less likely to be biased and the expert is limited to the degree to which he can tailor his testimony to serve a party's interests.

9 Cases that cite this headnote

[13] **Evidence**

🔑 Due care and proper conduct

157 Evidence
157XII Opinion Evidence
157XII(D) Examination of Experts
157k555 Basis of Opinion
157k555.7 Due care and proper conduct

Fact that witness was introduced to field of pneumatic nail guns through past litigation was slight negative factor weighing against his proffered testimony as expert witness in personal injury action based on injury caused by pneumatic nailer, but fact was outweighed by witness's independent research, the independence of his testimony in its seeming contradiction of testimony of plaintiff, and his adherence to underlying rationale of general acceptance factor, scientific reliability.

[6 Cases that cite this headnote](#)

[14] Evidence

 [Necessity and sufficiency](#)

[157 Evidence](#)

[157XII Opinion Evidence](#)

[157XII\(D\) Examination of Experts](#)

[157k555 Basis of Opinion](#)

[157k555.2 Necessity and sufficiency](#)

Scientific reliability of proposed testimony can be shown by proof that research and analysis supporting proffered conclusions have been subjected to normal scientific scrutiny through peer review and publication.

[37 Cases that cite this headnote](#)

[15] Evidence

 [Cause and effect](#)

[157 Evidence](#)

[157XII Opinion Evidence](#)

[157XII\(D\) Examination of Experts](#)

[157k555 Basis of Opinion](#)

[157k555.5 Cause and effect](#)

An expert's causation conclusion should not be excluded because he or she has failed to rule out every possible alternative cause.

[8 Cases that cite this headnote](#)

[16] Evidence

 [Cause and effect](#)

Evidence

 [Due care and proper conduct](#)

[157 Evidence](#)

[157XII Opinion Evidence](#)

[157XII\(D\) Examination of Experts](#)

[157k555 Basis of Opinion](#)

[157k555.5 Cause and effect](#)

[157 Evidence](#)

[157XII Opinion Evidence](#)

[157XII\(D\) Examination of Experts](#)

[157k555 Basis of Opinion](#)

[157k555.7 Due care and proper conduct](#)

Witness's testimony ruled out all other possible explanations for accident caused by bottom-fire pneumatic nail gun, and so weighed in favor of admitting his testimony as expert witness in personal injury action; witness's testing of pneumatic nail gun which injured plaintiff ruled out manufacturing defect as a cause of the accident, and established that sequential-fire nailer was a safer design.

[5 Cases that cite this headnote](#)

[17] Evidence

 [Cause and effect](#)

[157 Evidence](#)

[157XII Opinion Evidence](#)

[157XII\(D\) Examination of Experts](#)

[157k555 Basis of Opinion](#)

[157k555.5 Cause and effect](#)

Expert witness's testimony is not precluded by failure to rule out all other possible theories of event; possibility of other explanations goes to weight, not admissibility, of testimony.

[6 Cases that cite this headnote](#)

[18] Evidence

 [Construction and Repair of Structures, Machinery, and Appliances](#)

[157 Evidence](#)

[157XII Opinion Evidence](#)

[157XII\(B\) Subjects of Expert Testimony](#)

[157k513 Construction and Repair of Structures, Machinery, and Appliances](#)

[157k513\(1\) In general](#)

Sufficient relationship existed between facts and proffered expert testimony to aid jury in resolving factual dispute, and so weighed in favor of admitting testimony as relevant, even though proffered testimony seemed to differ from that of plaintiff who was injured by pneumatic nail gun; opinion of proposed expert corresponded with and was supported by

statement of sole eye-witness and portions of plaintiff's testimony.

3 Cases that cite this headnote

Attorneys and Law Firms

*684 Gary Thomas LaFleur, Anoka, Minnesota, argued, for appellant.

Ralph Valitutti, Mount Clemens, Michigan, argued, for appellee.

Before [BYE](#), [LAY](#), and [JOHN R. GIBSON](#), Circuit Judges.

Opinion

[LAY](#), Circuit Judge.

In December 1997, Fred Lauzon, a carpenter, was injured while using Senco Products, Inc. ("Senco") bottom-fire pneumatic nailer, model SN2 ("SN2"). Lauzon brought suit for negligence, breach of warranty, manufacturing defect, and design defect against Senco for injuries that arose out of the use of the SN2.

The design of the bottom-fire pneumatic nailer enables it to drive nails by two different means. First, it can drive a single nail when the trigger and the bottom contact point are depressed. Second, it can rapid-fire nails when the operator depresses and holds the trigger and bounces the bottom contact point off the surface of the work. Senco markets the bottom-fire pneumatic nailer for the second manner of use, the rapid-fire mode.

Senco produces a second type of pneumatic nailer, a sequential-fire tool. It drives nails only one way, when the bottom contact element is depressed and the trigger is subsequently pulled. Unlike the bottom-fire pneumatic nailer, the trigger of the sequential-fire tool must be released and squeezed each time the user seeks to fire a nail.

Lauzon was using the SN2 to roof a garage. He was lying on the edge of the roof while securing a fourteen-foot 2 x 6 to the roof sheathing. His left hand was supporting the 2 x 6 under the overhang and his right hand was holding the SN2. A fellow workman, Steve Nelson, was standing on a ladder underneath supporting the 2 x 6 Lauzon was attempting to secure.

Lauzon testified that he properly drove a nail and as the SN2 recoiled, two more nails were driven, the second one entering his hand. Lauzon acknowledges his finger was on the trigger, it being constantly depressed as he was employing the bottom-fire pneumatic nailer in its rapid-fire mode. Yet, he contends the SN2 should not have fired successive nails because the bottom contact point was not depressed, since it was four to five inches above the roof sheathing. Lauzon testified it was not possible that the bottom contact point came into contact with the sheathing because it would have shot the nails into the wood and not his thumb. However, he was uncertain of all the details because "it happened so fast, it was like, wow, what-what happened you know."

In spite of his uncertainty, he states that the accident was not the result of a "double-fire." A double-fire occurs when the tool cycles twice before the user is able to remove the bottom contact point from the surface of the work, thereby unintentionally driving a second nail instantaneously after the first. Lauzon testified, although two nails were expelled, it was not a double-fire because the bottom contact point was not depressed.

His fellow worker, Nelson, submitted an affidavit, dated May 22, 2000, stating he does not believe the SN2 double-fired, although he "could not say with absolute certainty," and alluded to the possibility that Lauzon may have been using the SN2 in a hazardous manner. In a second statement, dated June 16, 2000, Nelson modifies his statement slightly. In this statement he claims he does not "specifically remember one way or the other" whether the SN2 double-fired or misfired, although he does "clearly remember that the safety tip of the nail gun was contacting the edge of the wood."

*685 Lauzon retained H. Boulter Kelsey as a proposed expert witness. Kelsey is a licensed professional engineer in the State of Missouri by examination. He earned a Bachelor of Science and a Master's Degree in Mechanical Engineering from Washington University in St. Louis, Missouri. From 1973 until 1980, Kelsey was Assistant Dean at Washington University. For the past twenty years he has worked as a forensic engineer. He has previously testified in approximately forty pneumatic nail gun cases. *See, e.g., Drabik v. Stanley-Bostitch, Inc.*, 997 F.2d 496 (8th Cir.1993); *Bailey v. Innovative Mgmt. & Inv., Inc.*, 890 S.W.2d 648 (Mo.1994).

Kelsey performed a number of tests and analyzed the circumstances surrounding the injury. As a result of this analysis, Kelsey rendered an opinion: “[g]iven the tests that were conducted, Mr. Lauzon’s recollection of the accident occurrence is in error.” He stated that “Mr. Lauzon’s testimony that he believed the gun was some 4 to 5 inches above the plywood surface when the accident occurred can only be an error on his part.” Kelsey proposed a different interpretation of the event.

It would appear that in the process of moving his body down the sloped roof surface, Lauzon unintentionally and unconsciously caused the nose trigger of the subject Senco nailer to contact the edge of the plywood roof sheathing. When this occurred, only a portion of the bottom fire or nose trigger engaged the edge of the plywood which allowed a nail to be fired into or just past the edge of the plywood. Since the nail that was fired was totally unintended and unconsciously driven by Mr. Lauzon’s movements, he undoubtedly experienced a second firing of the nailer due to recoil This second nail was driven in the same fashion with the nose trigger of the gun contacting the very edge of the plywood sheathing in such a manner as to allow the nail to be expelled past the sheathing and 2 x 6 and enter his hand below. Given the circumstanced [sic] described by Mr. Lauzon and the testing accomplished on the subject model SN2 Senco nailer, no other scenario of the accident can be reasonably deduced.

H. Boulter Kelsey, Expert Report, at 6. Kelsey’s conclusion that Lauzon’s injuries were the result of a double-fire *precludes the finding of a manufacturing defect*, leaving only the claim of a design defect.

Kelsey opines the design of the SN2, a bottom-fire nailer, is defective because of the propensity to double-fire, therefore, he concludes the SN2 was unreasonably dangerous, and Lauzon’s injuries were the result of a double-fire. Further, Kelsey opines the sequential-fire nailer is commensurate in its use to the bottom-fire nailer but is much safer because its

design ensures a double-fire cannot occur. As a result, Kelsey proffers the inherently dangerous designed bottom-fire tool should no longer be on the market.

[1] [2] In applying the rules of *Daubert v. Merrell Dow Pharm.*, 509 U.S. 579, 113 S.Ct. 2786, 125 L.Ed.2d 469 (1993), but without holding a pretrial *Daubert* hearing, the district court excluded Kelsey’s expert testimony, finding insufficient evidence to sustain plaintiff’s case, and granted summary judgment for the defendant. *Daubert* emphasizes that the district court is the “gatekeeper” for the admissibility of expert testimony which, of course, is true when the district court passes upon the admissibility of any evidence. Our standard of review is one of abuse of discretion, and in exercising this review, this court must give great deference to the ruling of the trial court. Yet, as the Supreme Court reminds us, it is the hallmark of our review, absent abdicating our duty, to analyze the trial court’s ruling in light of *686 the principles of *Daubert* and the Federal Rules of Evidence.

I. Analysis

[3] [4] Lauzon contends the district court erred by excluding the testimony of the proposed expert witness, Kelsey. The abuse of discretion “standard applies as much to the trial court’s decisions about how to determine reliability as to its ultimate conclusion.” *Kumho Tire Co., Ltd. v. Carmichael*, 526 U.S. 137, 152, 119 S.Ct. 1167, 143 L.Ed.2d 238 (1999). The proponent of the expert testimony must prove its admissibility by a preponderance of the evidence. *Daubert*, 509 U.S. at 592, 113 S.Ct. 2786.

[5] Federal Rule of Evidence 702 governs admissibility of expert testimony. *See Fed.R.Evid. 702*. “Rule 702 reflects an attempt to liberalize the rules governing the admission of expert testimony.” *Weisgram v. Marley Co.*, 169 F.3d 514, 523 (8th Cir.1999) *aff’d*, 528 U.S. 440, 120 S.Ct. 1011, 145 L.Ed.2d 958 (2000); *see also Daubert*, 509 U.S. at 588, 113 S.Ct. 2786 (citing *Beech Aircraft Corp. v. Rainey*, 488 U.S. 153, 169, 109 S.Ct. 439, 102 L.Ed.2d 445 (1988)) (highlighting the “ ‘liberal thrust’ of the Federal Rules and their ‘general approach of relaxing the traditional barriers to ‘opinion’ testimony’ ”). The rule clearly “is one of admissibility rather than exclusion.” *Arcoren v. United States*, 929 F.2d 1235, 1239 (8th Cir.1991).

[6] The proposed expert testimony must meet three prerequisites in order to be admitted under Rule 702. 4 Jack B. Weinstein & Margaret A. Berger, Weinstein’s Federal Evidence § 702.02[3] (2001). First, evidence based on

scientific, technical, or other specialized knowledge must be useful to the finder of fact in deciding the ultimate issue of fact. *Id.* This is the basic rule of relevancy. Second, the proposed witness must be qualified to assist the finder of fact. *Id.* Third, “the proposed evidence must be reliable or trustworthy in an evidentiary sense, so that, if the finder of fact accepts it as true, it provides the assistance the finder of fact requires” *Id.*; see also *Daubert*, 509 U.S. at 591, 113 S.Ct. 2786.

The basis for the third prerequisite lies in the recent amendment of [Rule 702](#), which adds the following language to the former rule: “(1) the testimony is based upon sufficient facts or data, (2) the testimony is the product of reliable principles and methods, and (3) the witness has applied the principles and methods reliably to the facts of the case.” [Fed.R.Evid. 702](#).¹ The language of the amendment codifies *Daubert* and its progeny. *Id.* Comm. Note.

¹ The complete, amended [Fed.R.Evid. 702](#) provides:

If scientific, technical, or other specialized knowledge will assist the trier of fact to understand the evidence or to determine a fact in issue, a witness qualified as an expert by knowledge, skill, experience, training, or education, may testify thereto in the form of an opinion or otherwise, if (1) the testimony is based upon sufficient facts or data, (2) the testimony is the product of reliable principles and methods, and (3) the witness has applied the principles and methods reliably to the facts of the case.

[7] In *Daubert*, the U.S. Supreme Court emphasized the district court's gatekeeper role when screening expert testimony for relevance and reliability. *Daubert*, 509 U.S. at 591–93, 113 S.Ct. 2786; see also *Blue Dane Simmental Corp. v. Am. Simmental Ass'n*, 178 F.3d 1035, 1040 (8th Cir.1999) (during the evaluation “of expert testimony under [Federal Rule of Evidence 702](#), the district court must look to both the relevancy and the reliability of the testimony”). *Daubert* provides a number of nonexclusive factors a court can *687 apply in performing this role: “(1) whether the theory or technique ‘can be (and has been) tested’; (2) ‘whether the theory or technique has been subjected to peer review and publication’; (3) ‘the known or potential rate of error’; and (4) whether the theory has been generally accepted.” *Peitzmeier v. Hennessy Indus., Inc.*, 97 F.3d 293, 297 (8th Cir.1996) (citing *Daubert*, 509 U.S. at 593–94, 113 S.Ct. 2786). *Daubert*'s progeny provides additional factors such as: whether the expertise was developed for litigation or naturally

flowed from the expert's research; whether the proposed expert ruled out other alternative explanations; and whether the proposed expert sufficiently connected the proposed testimony with the facts of the case. *Bogosian v. Mercedes-Benz of N. Am., Inc.*, 104 F.3d 472, 479 (1st Cir.1997) (finding testimony of the expert and the plaintiff must be sufficiently related); *Daubert v. Merrell Dow Pharm., Inc.*, 43 F.3d 1311, 1317 (9th Cir.1995) (addressing whether opinion was developed naturally out of research or solely for litigation); *Claar v. Burlington N.R. Co.*, 29 F.3d 499 (9th Cir.1994) (discussing whether the expert accounts for obvious alternative explanations).²

² The Eighth Circuit has been consistently loyal to the language of *Daubert* and [Federal Rule of Evidence 702](#). Of course, the facts in each situation are *sui generis* in that each panel opinion differs upon the varying evidential proofs. However, our examination of the cases in the Eighth Circuit show a consistent application of *Daubert* and [Rule 702](#). We set out a collation of the various cases.

The cases that admit expert testimony are as follows: *Clark v. Heidrick*, 150 F.3d 912, 915 (8th Cir.1998) (finding expert testimony offered by defendant as to possible causes of baby's brachial plexus injuries admissible but excluded plaintiff's medical expert's testimony that flexion during delivery was the most likely explanation for the baby's injuries on grounds outside of *Daubert*; it was offered for the first time in rebuttal and not the case in chief); *Jenson v. Eveleth Taconite Co.*, 130 F.3d 1287, 1299 (8th Cir.1997) (admitting testimony of well-qualified psychiatrists and psychologists on issue of damages for mental anguish and emphasizing that weight and credibility accorded to the testimony is left to the trier of fact); *United States v. Davis*, 103 F.3d 660, 674 (8th Cir.1996) (finding expert testimony on ballistics was admissible based upon *Daubert* factors after a preliminary evidentiary hearing was held); *United States v. Beasley*, 102 F.3d 1440, 1447 (8th Cir.1996) (allowing PCR method of DNA testing to be admitted due to its reliability, as demonstrated by applying the *Daubert* factors); *Hose v. Chicago Northwestern Transp. Co.*, 70 F.3d 968, 973–76 (8th Cir.1995) (allowing physician to testify as to position emission tomography scan of employee's brain, polysomnogram, and that employee's manganese encephalopathy was caused by inhalation of manganese fumes at employer's plant after analyzing the testimony in light of *Daubert*); *United States v. Johnson*, 28 F.3d 1487, 1497 (8th Cir.1994) (allowing a coconspirator and gang

member to testify as an expert regarding drug trafficking, which was found helpful to the jury, due to his extensive experience in the business of drug trafficking, evidenced by his six years establishing various drug distribution centers in assorted cities).

The cases that limit the proposed expert testimony are as follows: *Wheeling Pittsburgh Steel Corp. v. Beelman River Terminals, Inc.*, 254 F.3d 706, 715 (8th Cir.2001) (limiting testimony of an expert hydrologist to flood risk, thereby, finding testimony as to safe warehousing practices inadmissible); *Weisgram v. Marley Co.*, 169 F.3d 514, 519 (8th Cir.1999) (allowing a fire investigator to testify as to the origins of the fire but not as to the cause of the fire since there was no evidence in record to substantiate it); *Robertson v. Norton Co.*, 148 F.3d 905, 907 (8th Cir.1998) (admitting testimony of expert as to manufacturing defect, but not as to the defect of the warning label).

The proposed expert testimony was excluded in the following cases: *Glastetter v. Novartis Phar. Corp.*, 252 F.3d 986, 992 (8th Cir.2001) (excluding proposed expert testimony that Parlodel can cause intracerebral hemorrhages because proposed expert could not demonstrate causation to a degree of medical certainty as required by *Daubert*); *Children's Broad. Corp. v. Walt Disney Co.*, 245 F.3d 1008, 1018 (8th Cir.2001) (excluding the testimony presented by a proposed expert, that any breach of contract, any use of confidential information, or any misappropriation of any trade secret caused the exact same amount of damages, because he failed to consider the effect of competition, theory on causation was questionable and his testimony was based on a report produced prior to narrowing the claims for trial); *J.B. Hunt Transp., Inc., v. General Motors Corp.*, 243 F.3d 441, 444 (8th Cir.2001) (preventing a reconstruction expert from testifying because he had insufficient evidence to completely reconstruct the accident as he theorized and expertise of a "foam expert" not allowed where testimony is highly doubtful and linked to rejected testimony of reconstruction expert); *Giles v. Miners, Inc.*, 242 F.3d 810, 812–13 (8th Cir.2001) (precluding proposed expert from testifying based upon proposed expert's failure to indicate how proposed safety guard would interact with freezer's proper functioning and it appeared the safety guard violated government and industry design standards requiring sanitary, easily cleanable surface); *Turner v. Iowa Fire Equip.*, 229 F.3d 1202, 1208 (8th Cir.2000) (preventing a proposed expert from testifying because differential diagnosis sought to identify the condition and not the cause); *Blue Dane Simmental Corp. v. Am. Simmental Ass'n*,

178 F.3d 1035, 1041 (8th Cir.1999) (precluding the proposed expert economist from testifying because "no other economists use before-and-after modeling to support conclusions of causes of market fluctuation"); *Jaurequi v. Carter Mfg. Co., Inc.*, 173 F.3d 1076, 1084 (8th Cir.1999) (excluding proposed expert testimony on alternative design because of failure to provide basis for belief that opinion was anything more than unabashed speculation); *Penney v. Praxair, Inc.*, 116 F.3d 330, 333–34 (8th Cir.1997) (holding proposed expert testimony based upon comparison of positron emission tomography scan of brain of plaintiff and control group, which demonstrated traumatic brain injury, was found inadmissible because control group could not provide accurate comparison due to differences in age and plaintiff's use of medication); *Wright v. Willamette Inds., Inc.*, 91 F.3d 1105, 1108 (8th Cir.1996) (holding opinion of proposed expert, that complaints of residents near manufacturing plant were more probably than not related to their exposure to formaldehyde from plant, was not based on any knowledge about what amounts of wood fibers impregnated with formaldehyde involve appreciable risk of harm to human beings who breathe them, and so district court should have excluded expert's testimony); *Peitzmeier v. Hennessy Indus., Inc.*, 97 F.3d 293, 297–98 (8th Cir.1996) (excluding testimony of proposed expert because no testing ever took place, no peer review and no testimony regarding general acceptance was offered); *Pestel v. Vermeer Mfg. Co.*, 64 F.3d 382, 384 (8th Cir.1995) (finding that district court properly found that proposed expert was precluded from testifying about alternative design in products liability suit because of lack of testing, failed to contact others in industry to see if they had attempted to create a similar guard, not subjected concept to any outside scrutiny and not generally accepted); *Sorensen v. Shaklee Corp.*, 31 F.3d 638, 648–51 (8th Cir.1994) (precluding proposed expert testimony because it was not relevant due to lack of reliable inference that Shaklee alfalfa tabl@ets taken by parents contained any EtO, a toxin that can cause birth defects, as well as a failure to satisfy any of the *Daubert* factors); *Nat'l Bank of Commerce of El Dorado v. Assoc. Milk Producers, Inc.*, 22 F.Supp.2d 942, 963 (E.D.Ark.1998), *aff'd* 191 F.3d 858 (8th Cir.1999) (finding the proposed expert had not ruled out possible alternative causes and has failed to rule in the alleged toxin as a contributing cause of the cancer). The evidentiary foundation determined to be lacking in the Eighth Circuit cases where the experts' testimony has been excluded, as we have attempted to

analytically explain, is not missing in the foundational proof in the present case.

*688 A. Testing

The first relevant factor is whether the expert's theory can be (and has been) tested. *Daubert*, 509 U.S. at 593, 113 S.Ct. 2786. The district court found Kelsey's testing was inadequate because he was unable to duplicate the events of the accident. As a result, the district court found the testing factor weighed against the admission of Kelsey's testimony.

[8] Kelsey's initial testing focused on two possible causes of Lauzon's injury: manufacturing or design defect. Pictures were taken of the SN2 involved in the *689 accident. The trigger force was measured as well as the force needed to activate the bottom contact point. Nail speed was measured from varied distances. A pendulum test was then attempted in order to measure recoil forces of the SN2.³ The section of the roof was reproduced and the tasks Lauzon was performing were reenacted and recorded on video tape.

³ The sticky operation of the contact point precluded commission of the pendulum test and its findings on recoil forces.

During the course of the examination, Kelsey determined this particular SN2 required depression of both the trigger and the bottom contact point to drive nails *under any circumstance*. Thus, Kelsey's testing provided additional trustworthiness to his opinion, contributed by objectively excluding one of Lauzon's claims, that the SN2 had a manufacturing defect.

Due to previous experience with bottom-fire pneumatic nailers, Kelsey was aware they had a tendency to double-fire. He noted such in his report when he stated:

this tool like [other bottom-fire pneumatic nailers] is subject to recoil fire as a result of unexpected recoil forces operating back against the operator's grip. Under these circumstances, multiple nail firing does occur with some frequency, particularly when the recoil force is not correctly anticipated by the user as in the circumstance of the nail hitting harder or more dense area in the wood.

H. Boulter Kelsey, Expert Report, at 6. Kelsey's opinion was also supported by Lauzon's employer, Tony Hayes. He

testified that this particular SN2 had a history of double-fires: "I don't know what you would call it, but if you-if you pushed it against the wood and pulled the trigger, it would bounce back on you and shoot a second nail."

The information obtained from the tests performed and the factual record were analyzed by Kelsey in the light of the teachings of mechanical engineering. The foregoing analysis ruled out a manufacturing defect. Instead of a manufacturing defect, Kelsey's testing led to the conclusion of a double-fire, a design defect. Kelsey testified that designing the SN2 as a sequential-fire pneumatic nailer would have prevented the accident from occurring because two nails could not be fired without actuating both the trigger and bottom contact point. Thus, the second nail, according to the testimony of Lauzon, would not have become impaled in his hand.

Kelsey has also testified as an expert in numerous other cases involving injuries resulting from the use of pneumatic air guns. Instead of detracting from reliability, this fact, coupled with Kelsey's testing and subsequent analysis in the present case, provides more than sufficient evidence to find that this factor weighs heavily in favor of admitting the testimony of Kelsey as an expert witness.

B. Peer Review and Publication

[9] Another applicable factor is whether the theory or technique has been subjected to peer review and publication. *Daubert*, 509 U.S. at 593, 113 S.Ct. 2786. "The fact of publication (or lack thereof) in a peer reviewed journal thus will be a relevant, though not dispositive, consideration" *Id.* at 594, 113 S.Ct. 2786. Rather, the focus remains on reliability.⁴ *Kannankeril v. Terminix Inter., Inc.*, 128 F.3d 802, 809 (3rd Cir.1997) (citing *Daubert*, 509 U.S. at 593, 113 S.Ct. 2786).

⁴ "Publication (which is but one element of peer review) is not a *sine qua non* of admissibility; it does not necessarily correlate with reliability" *Daubert*, 509 U.S. at 593, 113 S.Ct. 2786.

*690 The district court held the peer-reviewed literature involved in this case did not rise to the level contemplated by *Daubert*. Therefore, the district court found this factor weighed against admitting the proffered testimony.

[10] Kelsey authored an article, which was made an exhibit to his report, about pneumatic nailers that appeared in the *Journal of the National Academy of Forensic Engineers*.

H. Boulter Kelsey, Jr., *Forensic Engineering Aspects of Nail Gun Litigation*, 25 *Journal of the National Academy of Forensic Engineers* 1 (1998) [hereinafter H. Boulter Kelsey]. As exemplified by its title, it is an organization, with approximately 450 members, whose work is primarily devoted to the investigation of engineering matters pertaining to legal cases. The article was published prior to the present litigation and comes to the identical conclusion as proffered in this case: bottom-fire pneumatic nailers are unreasonably dangerous. *Id.* at 10. In the article, Kelsey also concludes that the sequential-fire pneumatic nailer is the most effective means of negating the hazards associated with the inadvertent firing of the pneumatic nailer. *Id.*

In addition to Kelsey's article, two other publications, which were also provided as exhibits to his report, discuss pneumatic nail gun injuries. The two publications are a technical report conducted by the State of Washington and an article in *Fine Homebuilding* magazine.

The Washington report, performed by the State Department of Labor and Industries, examined the nature of pneumatic nail gun hazards in hopes of uncovering "methods to control and eliminate those hazards." Washington State Dept. of Labor and Industries, *Pneumatic Nailer ("Nail Gun") Injuries in Washington State, 1990–1998*, Tech. Rep. No. 59–1 (1999) [hereinafter Washington State Dept.]. After surveying injuries sustained from pneumatic nail gun use in Washington State, the Department made recommendations. The first recommendation is to "[u]se the sequential trigger until a safe record of use and experience with the tool has been developed." *Id.* at 2. The second recommendation is for manufacturers to work with users in order to "better balance the speed and productivity of the [bottom-fire pneumatic nailer] with the accuracy and potential for fewer acute trauma injuries using the 'sequential' mode." *Id.*

The *Fine Homebuilding* article surveys a construction crew's use of bottom-fire and sequential-fire pneumatic nailers of various models. Rick Arnold and Mike Guertin, *Survey of Framing Nailers*, *Fine Homebuilding*, Nov. 1996 [hereinafter *Fine Homebuilding*]. The survey directly compares bottom-fire pneumatic nailers and sequential-fire nailers in the setting they are commonly employed. The survey found bottom-fire pneumatic nailers "present the most danger of accident." *Id.* at 78. Further, it addressed and refuted the contention that bottom-fire pneumatic nailers allow for greater productivity in comparison to sequential-fire nailers: "we found we could keep close pace with a [bottom-fire pneumatic nailer] bounce-

nailed" *Id.* at 79. In light of its minimal impact upon productivity and the hazards associated with the bottom-fire pneumatic nailer, the article recommends the sequential-fire nailer. *Id.*

Clearly, all these articles, which were exhibits to Kelsey's expert report, offer support for Kelsey's conclusion: the bottom-fire pneumatic nailer is unreasonably dangerous and a commensurate, safer alternative design, the sequential-fire pneumatic nailer, exists.

*691 Further support for Kelsey's testimony under the peer review factor is found in the very language of *Daubert*; some propositions are too new to be published. *Daubert*, 509 U.S. at 593, 113 S.Ct. 2786. The pneumatic fire nailers "increased popularity in the 1990's appears to have triggered an increase in injuries due to their use." Washington State Dept., at 1. The recent increase in nail gun use and injuries stemming therefrom accounts for, in part, the lack of wealth of peer reviewed information the district court sought.

The article published by Kelsey supporting the very essence of his testimony as well as recognition of the dangers associated with a bottom-fire pneumatic nailer and the safer alternative of a sequential-fire nailer in two additional publications is sufficient to meet the peer review factor under *Daubert*, especially when coupled with the only recent onset of pneumatic nail gun injuries. Therefore, the peer review factor weighs in favor of admitting Kelsey's proffered expert opinion.

C. General Acceptance

The next applicable factor is general acceptance.⁵ "Widespread acceptance can be an important factor in ruling particular evidence admissible, and 'a known technique which has been able to attract only minimal support within the community' may properly be viewed with skepticism." *Daubert*, 509 U.S. at 594, 113 S.Ct. 2786 (citation omitted). Although general acceptance may still be a factor, it must be weighed with the Supreme Court's admonition that "a rigid 'general acceptance' requirement would be at odds with the 'liberal thrust' of the Federal Rules and their 'general approach of relaxing the traditional barriers to 'opinion' testimony.'" *Id.* at 588–89, 113 S.Ct. 2786 (quoting *Beech Aircraft Corp.*, 488 U.S. at 169 (citing Rules 701 to 705)). See also Weinstein, *Rule 702 of the Federal Rules of Evidence is Sound; It Should Not Be Amended*, 138 F.R.D. 631 (1991)

(“The Rules were designed to depend primarily upon lawyer-adversaries and sensible triers of fact to evaluate conflicts.”).

⁵ The parties agree that the third *Daubert* factor, rate of error, is not applicable to the facts of this case.

The district court found there has been no demonstration that Kelsey's theories are accepted, let alone generally accepted by the relevant scientific community. Thus, the district court found this factor weighed in favor of precluding Kelsey from testifying as an expert.

[11] The general acceptance factor dovetails with the prior factor, peer review. Bottom-fire pneumatic nailers are known for problems associated with double-fires throughout the industry as illustrated by the aforementioned articles. *See* Washington State Dept.; H. Boulter Kelsey; *Fine Homebuilding*. In addition, those who utilized this particular SN2 were cognizant of its tendency to double-fire. Tony Hayes, Lauzon's employer, testified that the particular SN2 employed by Lauzon had a tendency to double-fire. Also, Tony Hayes testified, even if the user was aware of the problem, it could not be consistently avoided. Clearly, it is generally accepted that bottom-fire pneumatic nailers have the tendency to double-fire. Further, this tendency to double-fire can cause the user or a co-worker in the vicinity to be injured due to the release of an unintended nail. *See, e.g.,* Washington State Dept., at 1.

The next issue under the rubric of general acceptance is whether there exists general acceptance of the reasonable *692 alternative design, the sequential-fire pneumatic nailers, as proposed by Kelsey. The report prepared by the State of Washington recognizes the hazardous propensities of the bottom-fire pneumatic nailers and recommends use of sequential-fire pneumatic nailers in their stead. *Id.* at 1–2; *see also Fine Homebuilding*, at 79 (recommending the use of sequential-fire pneumatic nailers). Further, the use of a sequential-fire pneumatic nailer does not diminish the efficiency of the tool in comparison to the bottom-fire pneumatic nailer as discovered in the survey that appears in *Fine Homebuilding*. *Id.* (rejecting the common perception that a sequential trip mechanism is slower).

Kelsey's opinion comports with those generally accepted in the industry in recognizing the hazards associated with the bottom-fire pneumatic nailer's propensity to double-fire as well as a reasonable alternative, the sequential-fire pneumatic nailer. We conclude the factor of general acceptance weighs

substantially in favor of accepting the proffered testimony of Kelsey.

D. Opinion's Basis

[12] The next factor stems from the direct progeny of the Supreme Court's decision in *Daubert*. On remand, the U.S. Court of Appeals for the Ninth Circuit discussed the importance from where the proffered expert opinion emanates.⁶ *Daubert*, 43 F.3d at 1317. “That an expert testifies based on research he has conducted independent of litigation provides important, objective proof that the research comports with the dictates of good science.” *Id.* (citing Peter W. Huber, *Galileo's Revenge: Junk Science in the Courtroom*, 206–09 (1991)). An expert's finding that flows from research independent of litigation is less likely to be biased and the expert is limited to “the degree to which he can tailor his testimony to serve a party's interests.” *Id.*

⁶ The district court discussed the factor indirectly under peer review and publication.

[13] Kelsey's introduction into the field of pneumatic fire nailers was through past litigation. The article he authored arose from this involvement, although additional testing was performed outside of the litigation. *See id.* Yet, Kelsey's opinion in this case does not solely originate from this past research, rather, emanates from his own independent testing. As previously stated under the testing factor, Kelsey performed the following tests: took pictures of the SN2 in question; measured trigger forces; measured force to activate the bottom contact point; measured nail speed; attempted a pendulum test; and recreated and recorded the incident. Thus, Kelsey's testimony stems not only from his involvement in past litigation, but also from the testing performed on the particular SN2 employed by Lauzon.

Further, the independence of his testimony is demonstrated by its seeming contradiction with that of Lauzon. *Id.* Kelsey opines that the bottom contact point touched the sheathing and a double-fire occurred, but Lauzon contends the bottom contact point did not hit the sheathing so a double-fire did not occur. This contradiction fomented the conclusion that Kelsey's testimony flows naturally out of his own research by illustrating that the plaintiff does not control his testimony. *See id.* If the plaintiff dictated Kelsey's testimony, surely his opinion as to how the injury occurred would not conflict with the plaintiff's own testimony.

[14] Further support for this factor is found by adhering to its underlying rationale, scientific reliability. *Id.* (citing Peter *693 W. Huber, *Galileo's Revenge: Junk Science in the Courtroom*, 206–09 (1991)). Scientific reliability can also be shown “by proof that the research and analysis supporting the proffered conclusions have been subjected to normal scientific scrutiny through peer review and publication.” *Daubert*, 43 F.3d at 1318. As demonstrated earlier, the peer review and general acceptance factors favor admission of Kelsey's expert opinion.

In conclusion, the slight negative impact of Kelsey's introduction to the field of pneumatic nail guns through litigation is outweighed by his independent research, independent testimony, and adherence to the underlying rationale of the general acceptance factor, scientific reliability.

E. Exclusion of Possible Causes

[15] Another factor commonly applied to the determination of admissibility of an expert opinion is the ability to rule out other possibilities.⁷ *Claar*, 29 F.3d at 503 (discussing whether the expert accounts for obvious alternative explanations); cf. *Ambrosini v. Labarraque*, 101 F.3d 129 (D.C.Cir.1996) (stating that the existence of causes not eliminated pertains to weight and not admissibility). Yet, this requirement cannot be carried to a quixotic extreme. Exemplifying this limitation, the U.S. Court of Appeals for the Third Circuit concluded that an “ ‘expert's causation conclusion should not be excluded because he or she has failed to rule out every possible alternative cause.’ ” *Westberry v. Gislaved Gummi AB*, 178 F.3d 257, 265 (4th Cir.1999) (quoting *Heller v. Shaw Indus., Inc.*, 167 F.3d 146, 156 (3rd Cir.1999)) (emphasis added).

⁷ Courts often cite this factor when addressing an expert opinion on causation arrived through a differential diagnosis. See, e.g., *Turner*, 229 F.3d at 1207 (discussing whether the doctor's differential diagnosis was aimed at cause or solely symptoms); *Glastetter v. Novartis Pharm. Corp.*, 252 F.3d 986, 989 (8th Cir.2001) (detailing doctors' differential diagnosis in attempting to connect Parlodel and intracerebral brain hemorrhage); *Westberry v. Gislaved Gummi AB*, 178 F.3d 257, 262–66 (4th Cir.1999) (detailing that a doctor's differential diagnosis is generally accepted and also discussing the requirement to rule out possible alternatives as well as rule in the alleged cause); *Nat'l Bank of Commerce of El Dorado v. Associated Milk Producers, Inc.*, 22 F.Supp.2d 942, 963

(E.D.Ark.1998) (stating that even when a doctor rules out alternatives, the plaintiff still bears the burden of ruling the claim in). As illustrated, doctors commonly utilize the method. A differential diagnosis is performed by “ ‘ruling in’ all scientifically plausible causes of the plaintiff's injury. The physician then ‘rules out’ the least plausible causes of injury until the most likely cause remains.” *Glastetter*, 252 F.3d at 989 (8th Cir.2001). The remaining cause is the expert's conclusion as to what caused or did not cause the plaintiff's injury. *Id.*

The district court did not separately discuss this factor, rather, addressed it under testing, the first factor. The court found Kelsey was unable to rule out other accident theories, except for ruling out a manufacturing defect.

[16] Kelsey's testing demonstrated the SN2 in question would not fire with only the trigger mechanism being depressed, rather, both the bottom contact point and trigger had to be activated. This ruled out a manufacturing defect. Kelsey has ruled out all other possible explanations through a safer alternative design, the sequential-fire pneumatic nailer. Kelsey opined that a properly designed tool, a sequential-fire tool, would prevent an injury under any theory in this case. It is undisputed that Lauzon continually depressed the trigger as he was securing the roof sheathing. Utilizing a sequential fire tool would have required the bottom contact point to be depressed against the roof sheathing and then the trigger to be pulled each time he sought to fire a nail. Thus, Kelsey's proffered *694 opinion rules out all possible causes because the use of the sequential-fire tool would preclude a nail being expelled at all, let alone into the hand of Lauzon.

[17] Even a specious interpretation of Kelsey's testimony, which would enable other possible theories of the event to exist such as an accident, does not preclude his testimony under this factor. In *Westberry*, the court found the doctor only “explained why he did not believe that the cold Westberry developed in 1994 or the waterskiing he did over that summer accounted for his sinus problems.” *Id.* at 266. The doctor's explanations as to conclusions not ruled out went to weight and not admissibility. *Id.* at 265–66. After discounting obvious alternatives through scientific testing, such as the manufacturing defect, Kelsey need only be able to explain why other conceivable causes are excludable. Senco may attack Kelsey's explanations of causation on cross examination, thereby requiring Kelsey to offer valid explanations as to why his conclusion remains reliable. See *McCulloch v. H.B. Fuller Co.*, 61 F.3d at 1038, 1044 (2d Cir.1995). To hold otherwise denigrates Justice Blackmun's observation in *Daubert*:

[I]n this regard respondent seems to us to be overly pessimistic about the capabilities of the jury and of the adversary system generally. Vigorous cross-examination, presentation of contrary evidence, and careful instruction on the burden of proof are the traditional and appropriate means of attacking shaky but admissible evidence. See *Rock v. Arkansas*, 483 U.S. 44, 61, 107 S.Ct. 2704, 97 L.Ed.2d 37 (1987).

Daubert, 509 U.S. at 596, 113 S.Ct. 2786.

The ruling out of the manufacturing defect simultaneously rules in a design defect. Further, an accurate interpretation of Kelsey's testimony illustrates that he opines a sequential-fire tool precludes all other theories, including accidental. Even a specious interpretation allows for the testimony to be admitted because of his exclusion of other claims and due to the protections afforded by the very nature of our legal system. In conclusion, sufficient evidence exists to meet this factor.

F. Relevancy

The last applicable factor that bears upon the admission of expert testimony under [Rule 702](#) is whether the opinion offered by the expert is sufficiently related to the facts of the case such that it will aid the jury in resolving the factual dispute. *Id.* at 591, 113 S.Ct. 2786; see also *Bogosian*, 104 F.3d at 479 (finding that testimony of expert and that of plaintiff must be sufficiently related).

The district court appeared more concerned with this factor than any other. The trial court held the theory offered by Kelsey does not sufficiently relate to Lauzon's recollection of events. Thus, the trial court found that Kelsey's opinion was not relevant and weighed against admitting his testimony.

Differences do exist between Lauzon's and Kelsey's versions of the event. Lauzon testified that he properly drove a nail and, as the SN2 recoiled, two more nails were driven. He believes a double-fire did not take place because he thought the bottom contact point was four to five inches above the sheathing, therefore, the firing mechanism could not have been actuated.

[18] Kelsey discredits, in part, Lauzon's theory of the event based upon his research and scientific testing. Kelsey tested the SN2 for a manufacturing defect, one that would enable the SN2 to drive nails when the trigger was pulled, even though the bottom contact point was not depressed. Through testing, Kelsey was *695 unable to find such a defect in the particular SN2. As a result of the tests conducted, Kelsey concluded, "Lauzon's recollection of the accident occurrence is in error [I]n the process of moving his body down the sloped roof surface, Lauzon unintentionally and unconsciously caused the nose trigger of the [SN2] to contact the ..." sheathing, causing a double-fire. H. Boulter Kelsey, Expert Report, at 6.

Though a simple comparison of the aforementioned testimony reveals what appears to be two varied versions of the event, a more detailed analysis demonstrates their symbiotic relationship, especially in light of corroborating testimony. Kelsey has objectively proven that the supposed manner Lauzon contends the accident happened was not scientifically possible: the SN2 would not fire without the bottom contact point and trigger being depressed. Senco concurs in Kelsey's scientific conclusion. In spite of the contradiction between Kelsey and Lauzon's testimony, Kelsey does not discredit Lauzon's testimony. Instead, Kelsey explains how Lauzon's recollection of the event, specifically that the SN2 was four to five inches above the sheathing, further evidences the double-fire: since Lauzon did not intend to drive the nail, he experienced a double-fire due to an unexpected recoil operating against his hand. Thus, a more detailed examination illustrates that Kelsey's testimony is dependent upon Lauzon's recollection of the event. If Lauzon was aware that the bottom contact point was depressed, the recoil fire would not have occurred because the recoil would have been anticipated. As a result, the bottom triggering mechanism would not have remained in contact with the sheathing and the tool could not have cycled again.

Kelsey's double-fire conclusion is consistent with other crucial aspects of Lauzon's testimony as well as the sole eyewitness, Nelson. Lauzon testified that two nails were expelled in rapid succession. It was the second nail that imbedded itself in Lauzon's hand. This comports with Kelsey's conclusion that there was a double-fire. Further credence is given to Kelsey's version of the event in light of the statement given by Nelson. Nelson states he clearly remembers the bottom contact point hitting the edge of the sheathing.⁸ We would agree that where opinion testimony has no support in the record that it should be excluded. See *Weisgram*, 169 F.3d at

518–20. However, in the present case the district court failed to recognize the connection between Nelson's statement as the sole eye-witness and the testimony of Kelsey. In conclusion, Nelson's recollections and portions of Lauzon's testimony clearly correspond with and support Kelsey's conclusions.

⁸ An examination of the nature of the incident could account for the difference between the testimony offered by Kelsey and Nelson and that of Lauzon. A jury could readily find that Lauzon's recollection may have been clouded by the suddenness of the accident.

What is apparent from the foregoing analysis is that a sufficient nexus exists between the testimony of Lauzon and Nelson and that of Kelsey. Thus, Kelsey's proffered expert testimony will aid the jury in their determination. See *Daubert*, 509 U.S. at 591, 113 S.Ct. 2786. It is far better where, in the mind of the district court, there exists a close case on relevancy of the expert testimony in light of the plaintiff's testimony to allow the expert opinion and if the court remains unconvinced, allow the jury to pass on the evidence. Depending on the verdict,⁹ the trial court can always refer to *Federal Rule of Civil Procedure 50(b)* and grant a judgment as a matter of law or a new trial.

⁹ It is important to remember that any discrepancies that do exist affect credibility and not admissibility. *Daubert*,

509 U.S. at 591, 113 S.Ct. 2786; See also *Kannankeril*, 128 F.3d at 807–08.

In conclusion, we find a sufficient relationship exists between the facts and the expert testimony proffered by Kelsey to aid the jury in resolving the factual dispute.

II. Conclusion

Through examination of the record in light of the requirements of *Daubert* and its progeny, ineluctably we are led to conclude the district court's exclusion of the testimony was an abuse of discretion and fell outside the spirit of admissibility as set forth in *Federal Rule of Evidence 702*. We reverse the district court's exclusion of Kelsey's proffered expert testimony and remand the case for further proceedings consistent with this opinion. We likewise reverse the district court's grant of summary judgment.

REVERSED and REMANDED.

All Citations

270 F.3d 681, 57 Fed. R. Evid. Serv. 1452, Prod.Liab.Rep. (CCH) P 16,194



KeyCite Yellow Flag - Negative Treatment

Disagreement Recognized by [Landmark Builders, Inc. v. Cottages of Anderson, LP](#), S.D.Ind., May 20, 2003

550 F.2d 505

United States Court of Appeals,
Second Circuit.MARX & CO., INC., et al.,
Plaintiffs-Cross-Appellants,

v.

The DINERS' CLUB, INC., et al.,
Defendants-Cross-Appellees.The DINERS' CLUB, INC., and Diners/
Fugazy Travel, Inc., Defendants-Appellants,

v.

William D. FUGAZY et al., Plaintiffs-Appellees.

Nos. 159, 177, Dockets 76-7050, 76-7069. |
Argued Oct. 18, 1976. | Decided Feb. 25, 1977.

Persons whose corporation's assets had been acquired by another corporation brought an action against the acquiring corporation and others alleging that defendants engaged in securities fraud in connection with the acquisition and breached a contractual obligation to register stock received by plaintiffs in exchange for their shares. The United States District Court for the Southern District of New York, Ward, J., directed a verdict for defendants on the securities fraud claim but entered judgment awarding plaintiffs damages on the breach of contract claim, and defendants appealed. The Court of Appeals, Gurfein, Circuit Judge, held, inter alia, that the trial court erred in permitting an expert witness called by plaintiffs to give his opinion as to the legal obligations of the parties under the contract for registration of stock.

Affirmed in part; reversed in part and remanded.

West Headnotes (6)

[1] Evidence **Matters directly in issue**

157 Evidence

157XII Opinion Evidence

157XII(B) Subjects of Expert Testimony

157k506 Matters directly in issue

Trial court erred when, in action for alleged breach of agreement to register stock received by plaintiffs in transaction in which defendants acquired assets of plaintiffs' corporation in exchange for corporate stock, it permitted expert witness called by plaintiffs to give his opinion as to legal obligations of parties under such contract; although witness, a lawyer, was qualified as expert in securities regulation and therefore was competent to explain step-by-step practices ordinarily followed by lawyers and corporations in shepherding registration statement through Securities and Exchange Commission, he should not have been permitted to testify as to whether delay of one year before registration statements for plaintiffs' stock became effective was unreasonable. Securities Exchange Act of 1934, §§ 10(b), 27, [15 U.S.C.A. §§ 78j\(b\), 78aa](#); [Federal Rules of Evidence](#), rules 702, 704, 28 U.S.C.A.

[194 Cases that cite this headnote](#)**[2] Evidence** **Customs and course of business**

157 Evidence

157IV Admissibility in General

157IV(A) Facts in Issue and Relevant to Issues

157k111 Customs and course of business

Testimony concerning ordinary practices of those engaged in securities business is admissible under same theory as testimony concerning ordinary practices of physicians or concerning other trade customs: to enable jury to evaluate conduct of parties against standards of ordinary practice in industry. Securities Exchange Act of 1934, §§ 10(b), 27, [15 U.S.C.A. §§ 78j\(b\), 78aa](#).

[38 Cases that cite this headnote](#)**[3] Evidence** **Custom or usage**

157 Evidence

157XII Opinion Evidence

157XII(B) Subjects of Expert Testimony

157k516 Custom or usage

Expert testimony concerning practices of particular trade or business is not admissible if,

as matter of substantive law, only jury's common understanding, and not customary practices or usages, is relevant.

[130 Cases that cite this headnote](#)

[4] Federal Civil Procedure

 **Time for Pleading**

170A Federal Civil Procedure

170AVII Pleadings

170AVII(C) Answer

170AVII(C)1 In General

170Ak734 Time for Pleading

170Ak734.1 In general
(Formerly 170Ak734)

Where defendant raised defense of accord and satisfaction only after return of jury verdict, and it did not request submission of such issue to jury, defense was correctly rejected as belated.

[4 Cases that cite this headnote](#)

[5] Corporations and Business Organizations

 **Weight and sufficiency**

Securities Regulation

 **Misrepresentation, nondisclosure, and insider trading**

101 Corporations and Business Organizations

101IX Corporate Powers and Liabilities

101IX(F) Civil Actions

101k2573 Evidence in General

101k2577 Weight and sufficiency
(Formerly 101k519(3))

349B Securities Regulation

349BI Federal Regulation

349BI(C) Trading and Markets

349BI(C)7 Fraud and Manipulation

349Bk60.60 Evidence

349Bk60.63 Weight and Sufficiency

349Bk60.63(2) Misrepresentation, nondisclosure, and insider trading
(Formerly 349Bk146)

Evidence supported jury's rejection of claims by corporation which acquired assets of another corporation to effect that acquiring corporation had been defrauded by owners of acquired business into purchasing such assets through misrepresentations and omissions concerning nature and worth of such assets, that owners of acquired business breached common-law

fiduciary duties to acquiring corporation, arising from their capacity as officers and directors, by engaging in various self-dealing practices, and that purchase agreement's warranties of full disclosure were breached by misrepresentations and omissions. Securities Exchange Act of 1934, §§ 10(b), 27, 15 U.S.C.A. §§ 78j(b), 78aa.

[3 Cases that cite this headnote](#)

[6] Securities Regulation

 **Misrepresentation, nondisclosure, and insider trading**

349B Securities Regulation

349BI Federal Regulation

349BI(C) Trading and Markets

349BI(C)7 Fraud and Manipulation

349Bk60.60 Evidence

349Bk60.63 Weight and Sufficiency

349Bk60.63(2) Misrepresentation, nondisclosure, and insider trading
(Formerly 349Bk146)

Evidence failed to furnish prima facie support for allegations by owners of travel business whose assets were sold to other corporation that take-over of acquiring corporation by another corporation was "imminent" or would occur in "foreseeable future"; such statements merely amounted to general predictions as to future events. Securities Exchange Act of 1934, §§ 10(b), 27, 15 U.S.C.A. §§ 78j(b), 78aa.

[3 Cases that cite this headnote](#)

Attorneys and Law Firms

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Before HAYS, ANDERSON and GURFEIN, Circuit Judges.*

* Judge Hays concurred in the disposition of the appeal but has not had an opportunity to review the opinion because of illness.

Opinion

GURFEIN, Circuit Judge:

This appeal by the Diners' Club, Inc. and Diners/Fugazy Travel, Inc. (collectively "Diners") arises out of a series of transactions whereby the Fugazys sold the assets of their company, Fugazy Travel Bureau, Inc.¹ ("Fugazy Travel") to Diners Club in return for unregistered stock in the latter company. The Fugazys, plaintiffs below, allege that the defendants fraudulently induced the sale, in violation of s 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, by representing that defendant Continental Corporation was about to "take over" Diners and that the failure of Diners to use its best efforts to make effective a registration of plaintiffs' shares was part of a manipulative device to induce the plaintiffs not to offer their shares for sale from October 10, 1967 to February 6, 1970.² The court ultimately submitted to the jury whether Diners breached its contractual obligation to use its best efforts to register the plaintiffs' stock.

¹ The sellers included plaintiffs Marx and Co., Inc., Otto Marx, Jr., John V. Summerlin, Jr., William D. Fugazy and Louis V. Fugazy, collectively referred to as "the Fugazys."

² Plaintiffs initially maintained that defendants also violated Rule 10b-5 by fraudulently inducing them to agree to an amendment of their employment contracts. The jury returned a verdict for the defendants on this claim and the plaintiffs do not appeal.

The defendants filed various counterclaims alleging, inter alia, that they were fraudulently induced by misrepresentations of plaintiffs to purchase Fugazy Travel.

Jurisdiction was based solely on Section 27 of the Securities Exchange Act of 1934. While diversity jurisdiction was not alleged, there was a properly pleaded claim arising under Section 10(b) and Rule 10b-5 under the 1934 Act. During the trial the plaintiffs, without formal amendment, pressed a breach of contract claim based on a failure of Diners to use

its best efforts to register the stock, which we shall treat as a pendent claim.³

³ While there was no formal amendment of the complaint at trial, we think that the judge acted within his discretion in submitting the breach of contract issue to the jury, since the alternative claim was no surprise from the time of the pretrial order and the plaintiffs' opening to the jury, as well as from the briefs submitted. See [Fed.R.Civ.P. 15\(b\)](#). Moreover, the special verdict form which set forth separately plaintiffs' breach of contract claim was approved by counsel for the defendant.

Diners maintains that the verdict was contrary to the weight of the evidence; that it was entitled to a directed verdict because its performance was excused by the Fugazys' failure to perform certain conditions precedent, viz., to tender funds sufficient to reimburse Diners for one-half of all registration expenses and to deliver an indemnity agreement, see note 4, infra, that the District Court erred in refusing to apply the defense of accord and satisfaction to bar the claim; and that the testimony of a key witness for the plaintiff, a lawyer named Stanley Friedman, went beyond the proper scope of expert testimony and was prejudicial. Plaintiffs urge, by contrast, that the evidence shows that Diners neither filed a registration statement promptly nor used its best efforts to cause it to become effective and that plaintiffs' performance of its obligations under the contract was hindered by Diners Club; that the defense of accord was never tried and, therefore, properly rejected; and that the testimony of plaintiffs' expert witness was properly admitted.

***507** The case was tried to a jury in the Southern District of New York before Honorable Robert J. Ward. The court directed a verdict for the defendants on the 10(b) claim and the plaintiffs appeal. The court entered judgment for the plaintiffs on a jury verdict holding Diners liable on a breach of contract claim in the amount of \$533,000, plus pre-verdict interest, and finding for the plaintiffs on Diners' counterclaims and Diners appeals.

We affirm the dismissal of plaintiffs' s 10(b) claim as well as the dismissal of defendant's counterclaims. We reverse the judgment in favor of the plaintiffs for breach of contract, and remand for a new trial.

I

Under an agreement dated October 10, 1967, Diners acquired the assets of Fugazy Travel in return for unregistered Diners stock and other consideration. Paragraph 10.2(b) of

the acquisition agreement provided that, upon receipt of notification from plaintiffs that they desired registration, Diners would promptly file a registration statement for the unregistered Diners stock held by plaintiffs and would use its best efforts to cause the registration statement to become effective.⁴ Plaintiffs requested Diners to file such a registration statement in April 1969. Preparation of the registration statement did not begin until July 1969, however, and it was not filed until August 28, 1969. This registration statement never became effective; it was ultimately withdrawn, over the protest of plaintiff Marx, early in 1970.⁵

⁴ Paragraph 10.2(b) provides:

"If Diners shall not have filed any such registration statement subsequent to January 1, 1968 and before January 1, 1969, then, provided there are outstanding more than 25,000 shares bearing legend provided for in Section 10.1(c) hereof, the registered holders thereof (but not less than all of them) may at any time after January 1, 1969, notify Diners that they desire that Diners file such a registration statement, but only with respect to all such shares then owned by all such holders. Unless Diners shall have received an opinion from its counsel that registration is not required, or if Diners and all such registered holders, together proceeding expeditiously and in good faith after such notice, cannot obtain from the Securities and Exchange Commission a 'no-action' letter with respect to the sale of such shares, then Diners shall promptly file a registration statement and use its best efforts to cause such registration statement to become effective. Diners may include in such registration statement such other of its securities as it may desire. Anything to the contrary notwithstanding, Diners need not file any such registration statement until it may lawfully use its regularly prepared fiscal year end financial statements, as a part of such registration statement. The notifying holders shall pay Diners in advance an amount sufficient to reimburse Diners for one-half of all registration fees, printing costs, auditing fees (but only in excess of normal fees paid by Diners for its fiscal year end audit, legal fees and all other incidental out-of-pocket expenses incurred in connection with such registration statement)."

⁵ Before the registration statement was withdrawn, defendant Continental Corporation made a public tender offer for Diners stock. The Fugazys sold most of their shares to Continental at \$15 a share, which was less than the market price at the time that the registration statement was filed, though more than the market price at the time of tender.

The issues of fact tendered were whether Diners had filed a registration statement *508 promptly upon request and whether it had used its best efforts to make it effective. Plaintiffs contended that Diners should have filed on or about June 20, 1969 when its audited financials for the fiscal year ending March 31, 1969 were available and that preparatory work should have been begun immediately upon receipt of the request.⁶ Diners contended that it was under no duty to file immediately because of plaintiffs' failure and refusal to fulfill certain conditions precedent to such registration rights, such as tendering one-half of the costs of registration, together with an indemnity agreement which the plaintiffs allegedly refused to give until August 24, just four days before the actual filing.⁷ Diners also contended that, after the plaintiffs had formally requested the registration on April 16, 1969, the plaintiffs, during the next six to eight weeks were advancing certain alternative proposals to avoid the necessity for filing a registration statement, and that this may have resulted in a delay in commencement of the preparation of the registration statement.⁸ Diners also pointed out that it had the right, which it exercised, to include in its registration statement other securities and hence, it had to obtain information regarding the other security holders which may have resulted in a delay in filing.

⁶ There was some evidence that Diners' officials considered Marx' request for registration a move to get Continental to buy him out and that one officer's reaction was "to do nothing."

⁷ In April, 1969, plaintiffs indicated that they were "prepared and hereby offer . . . to furnish the indemnity agreement. . . ." No formal agreement actually was signed and tendered until August, however.

⁸ For example, on May 19, 1969, Marx wrote to Diners setting forth an alternative proposal so that the Fugazys' Diners shares "would not have to be registered at this time" and solicited alternative proposals in lieu of registration.

With regard to whether Diners used its best efforts to make the registration effective, Diners contended that within two weeks of receipt of the SEC's comments on the registration, which was received about two months after filing, it wrote two letters in response and attended a conference with the Commission staff to resolve these comments. It also noted that William D. Fugazy himself testified that there were "monumental problems" in causing the registration statement to become effective.

The jury found against Diners on these contentions. We agree with Judge Ward that there was sufficient evidence to support the verdict. *Marx & Co., Inc. v. Diners Club, Inc.*, 400 F.Supp. 581 (S.D.N.Y.1975). The crucial issue, sufficiently posed by objection below, is whether, notwithstanding the general discretion allowed to trial judges respecting expert testimony, see *Sanchez v. Safeway Stores, Inc.*, 451 F.2d 998 (10th Cir. 1971); *Casey v. Seas Shipping Co.*, 178 F.2d 360 (2d Cir. 1949), the admission of the testimony of a securities law expert, Stanley Friedman, was, in the circumstances, an error of law and highly prejudicial. His testimony construed the contract, as a matter of law, and includes his opinion that the defenses of Diners were unacceptable as a matter of law. In his denial of defendant's motion for a directed verdict at the close of the evidence, the judge indicated that the plaintiffs had made a prima facie case through Friedman.

[1] [2] [3] We hold that the District Court erred in permitting Friedman, an expert witness called by plaintiffs, to give his opinion as to the legal obligations of the parties under the contract. Mr. Friedman, a lawyer and a witness not named in the pretrial order, was called as a rebuttal witness on the last day of a three-week trial.⁹ Friedman was qualified as an expert in securities regulation, and therefore was competent to explain to the jury the step-by-step practices ordinarily followed by lawyers and corporations in shepherding a registration statement through the SEC. Indeed, Friedman had done so as an expert witness on previous occasions. In *Republic Technology Fund, Inc. v. Lionel Corp.*, 483 F.2d 540, 552 (2d Cir. 1973), this Circuit reversed the dismissal of a breach of contract claim that the defendant had failed to cause a registration statement to become effective within a reasonable time. 483 F.2d at 552. The issue there was whether a delay of one year before the S-1 became effective was a result of an originally misleading interim statement accompanying the S-1, in which event, "the delay may well have been unreasonable." Id. Mr. Friedman gave expert testimony that six to eight weeks was all that should have been necessary to effectuate a registration statement because "much of the work going into it had already been done" in the preparation of a proxy solicitation filed by the surviving corporation in a merger. This testimony concerned the practices of lawyers and others engaged in the securities business.¹⁰ Testimony concerning the ordinary practices of those engaged in the securities business is admissible under the same theory as testimony concerning the ordinary practices of physicians or concerning other trade customs: to enable the jury to evaluate the conduct of the parties against the standards of ordinary practice in the

industry. See VII Wigmore on Evidence s 1949, at 66 (3d ed. 1940).¹¹

9 Our holding with regard to the inadmissibility of the substance of Friedman's testimony makes it unnecessary to consider defendant's contentions that he was a surprise witness and an improper rebuttal witness. We note, however, that the prejudicial effect of Friedman's improperly admitted testimony may well have been heightened by the fact that he testified as the last witness on the last day of a three week trial.

10 In the Republic Technology case Mr. Friedman gave testimony concerning the practices of people engaged in this business: that it would be the practice of a prudent lawyer to research blue sky laws prior to the issuance of securities, that it would be unprofitable business practice to cause a registration statement to become effective prior to an imminent merger, and that the ordinary practice of the SEC would be to refer the registration statement to the same SEC staff that had handled the proxy solicitations of the company. Republic Technology, supra, Appendix on Appeal 292, 293, 297, 303-04.

11 Of course, expert testimony concerning the practices of a particular trade or business is not admissible if, as a matter of substantive law, only the jury's common understanding and not the customary practices or usages are relevant. Cf. *Royal Loan Co. v. United States*, 154 F.2d 556 (8th Cir. 1946) (testimony of securities dealers superfluous in action to recover documentary stamp tax levied on instruments "known generally as corporate securities.")

In the case at bar, however, witness Friedman's objectionable testimony did not concern only the customary practices of a trade or business. Rather, he gave his opinion as to the legal standards which he believed to be derived from the contract and which should have governed Diners' conduct. He testified not so much as to common practice as to what was necessary "to fulfill the covenant" (of the contract). For example, over the objection of defense counsel, he said that:

"I construe 'best efforts' in the context of a covenant to register shares as the assumption on the part of the person who gives the covenant an absolute, unconditional responsibility, to set to work promptly and diligently to do everything that would have to be done to make the registration statement effective. . . ." (emphasis added)

Counsel made timely objection “that’s a legal conclusion.” Similarly, the witness opined that “the best efforts obligations requires you to pursue the registration statement unless there is cause beyond your control.”¹² This testimony did not concern practices in the securities business, on which Friedman was qualified as an expert, but were rather legal opinions as to the meaning of the contract terms at issue. It was testimony concerning matters outside his area of expertise. See [Federal Rule of Evidence 702](#). Moreover, it would not have been possible to render this testimony admissible by qualifying Friedman as an “expert in contract law.” It is not for witnesses to instruct the jury as to applicable principles *510 of law, but for the judge. As Professor Wigmore has observed, expert testimony on law is excluded because “the tribunal does not need the witness’ judgment. . . . (T)he judge (or the jury as instructed by the judge) can determine equally well. . . .” The special legal knowledge of the judge makes the witness’ testimony superfluous. VII Wigmore on Evidence s 1952, at 81. See 3 Corbin on Contracts s 554, p. 227 (1960). (“Construction (of a contract) is always a matter of law for the Court”). Accord, [Loeb v. Hammond](#), 407 F.2d 779 (7th Cir. 1969) (testimony of attorney on legal significance of documents was properly excluded). “The question of interpretation of the contract is for the jury and the question of legal effect is for the judge. In neither case do we permit expert testimony.” *Id.* at 781.¹³

¹² Apparently Friedman gave similar testimony concerning the content of the “best efforts” obligation in *Republic Technology Fund, Inc. v. Lionel Corp.*, supra, Appendix on Appeal at 279, 283, 591-93, a case tried to the court without a jury. The propriety of this testimony was not before the court on that appeal, however, because the district court had dismissed the complaint notwithstanding this testimony. Although defense counsel had objected to this testimony at trial, they did not appeal its admission since they had won below. In reversing the trial judge, moreover, this court did not rely on the improper testimony as the ground for its decision to remand.

¹³ *Kirkland v. Nisbet*, 3 Macq.Sc.App. C 766 (1859), “Evidence as to mercantile usage may be received; . . . but you cannot ask a witness what is the meaning of a written document.”

Not only did Friedman construe the contract, but he also repeatedly gave his conclusions as to the legal significance of various facts adduced at trial. He testified on direct examination that, pursuant to its contractual obligation,

Diners Club “should have” filed its registration on or about June 20, 1969, and not at the end of August, and therefore concluded that Diners Club did not use its best efforts promptly to file. He asserted that it would not be a legal excuse (1) that Diners’ employees may have been occupied in other activities, or (2) that the parties to the contract were simultaneously attempting to renegotiate the contract, “Therefore, I don’t see that it excuses performance” or (3) that plaintiffs had failed to advance one-half of the costs of the registration.¹⁴ He also gave it as his legal opinion that the fact that the parties were exploring alternatives was not a legal waiver by the plaintiffs of the requirement that Diners go forward.

¹⁴ The District Court overruled defense objections to this testimony, noting that defense counsel would have “a chance to cross-examine” Friedman. On this cross-examination Friedman amplified his view that the plaintiffs’ obligation to advance costs was not a condition precedent, commenting that “Mr. Marx behaved in a reasonable way and . . . it was Diners that was behaving unreasonably. . . .” He concluded that the contractual provision for costs was “impossible of fulfillment.” On cross-examination he also asserted that Diners Club was not legally justified in waiting for plaintiffs to furnish the indemnity agreement required under the contract.

Friedman was also permitted to testify, over objection, that correspondence between the litigants relating to the payment of one-half the cost of registration by the plaintiffs, including a letter to plaintiff Marx dated July 15, was irrelevant “because the registration statement would have been filed by approximately June 20th and therefore this question comes up very much after the fact.” Friedman himself conceded that his opinions were based in part on his “experience and use of the English language.” His conclusion that Diners Club had no legal excuses for nonperformance was based merely on his examination of documents and correspondence, which were equally before the judge and jury. Thus Friedman’s opinion testimony was superfluous. See VII Wigmore on Evidence, s 1918.¹⁵ As Professor McCormick notes, such testimony “amounts to no more than an expression of the (witness’) general belief as to how the case should be decided.” [McCormick on Evidence](#), s 12 at 26-27. The admission of such testimony would give the appearance that the court was shifting to witnesses the responsibility to decide the case. [McCormick on Evidence](#) s 12, at 27. It is for the jury to evaluate the facts in the light of the applicable rules of law, and it is therefore erroneous for a witness to state his opinion on the law of the forum. *Loeb v. Hammond*, supra.¹⁶ To

the prompt objections *511 that segments of Friedman's testimony were legal conclusions, the trial judge responded by refusing to strike the testimony and by telling counsel he could cross-examine. But in such circumstances, compelling the opponent to cross-examine to repair the damage is to invite disaster, for much will turn on the obstinacy of the expert, and repetition before a jury, especially on cross-examination, is likely to impress the jury. The applicable law, not being foreign law, could, in no sense, be a question of fact to be decided by the jury.

15 Cf. *Hawkins v. Chandler*, 88 Idaho 20, 396 P.2d 123 (1969) (highway patrolman improperly testified as to reasonableness of conduct of driver of disabled wrecker); *Grismore v. Consolidated Products Co.*, 232 Iowa 328, 5 N.W.2d 646 (1942) (abolition of "ultimate issue" rule does not mean witnesses may express opinions as to whether conduct measures up to the requisite legal standard).

16 Cf. *Helms v. Sinclair Refining Co.*, 170 F.2d 289 (5th Cir. 1948) (oil distributor's legal conclusion that he was under a contractual duty to make a shipment); *Briney v. Tri-State Mut. Green Dealers Fire Ins. Co.*, 254 Iowa 673, 117 N.W.2d 889 (1962) (testimony by claims agent as to the legal effect of the relationship between independent adjusters and the insurance company was properly excluded).

The limits of expert testimony in securities cases should not be too difficult to draw. While the able trial judge below recognized that "testimony in the form of an opinion or inference otherwise admissible is not objectionable because it embraces an ultimate issue to be decided by the trier of fact," *Fed.R.Ev.* 704, he failed, in our view, sufficiently to emphasize "otherwise admissible."¹⁷ With the growth of intricate securities litigation over the past forty years, we must be especially careful not to allow trials before juries to become battles of paid advocates posing as experts on the respective sides concerning matters of domestic law. See *La Chemise Lacoste v. Alligator Company, Inc.*, 59 F.R.D. 332, 333 (D.Del.1973).

17 "The abolition of the ultimate issue rule does not lower the bars so as to admit all opinions. Under *Rules* 701 and 702, opinions must be helpful to the trier of fact, and Rule 403 provides for exclusion of evidence which wastes time. These provisions afford ample assurances against the admission of opinions which would merely tell the jury what result to reach, somewhat in the manner of the oath-helpers of an earlier day." Notes of Advisory Committee on Proposed Rule 704, *Fed.R.Evid.*

One final aspect of Friedman's testimony was objectionable. The expert's dogmatic view that the registration statement should have become effective not more than 70 days after it was filed, derived not from an analysis of the facts involved in formulating this particular registration statement of this particular travel agency, but rather directly from an SEC Report statistic of the median time for such effectiveness, covering all sorts of companies in a variety of industries. The trial judge judicially noticed that the median figure was 70 days, but this hardly justified the categorical conclusions tendered to the jury by the witness as if that precise figure were irrefutable evidence on "reasonableness." Indeed, as we have seen, the witness boldly asserted that any questions relating to the period after the end of August 1969, when the registration "should have" become effective, were "irrelevant."

The issue for the jury was whether Diners' conduct was reasonable in the circumstances in which it found itself not what a median statistic showed. The statistic could have served as a possible starting point for the discussion of the particular issue involved, but it should not have been given to the jury as if it were akin to a statute of limitations without regard to the particular facts. In that sense, we would grant its relevance, however slight it might be, in evaluating it with other facts. See *Fed.R.Ev.* 401. In the frame within which it was used, however, the statistic, though relevant, became an item of prejudicial overweight. See *Federal Rule of Evidence* 403.¹⁸

18 In the words of Judge Friendly, "the leap required to derive any rational conclusion from the expert's data was too great to allow a jury to take." *Herman Schwabe, Inc. v. United Shoe Machinery Corp.*, 297 F.2d 906, 912 (2d Cir. 1962).

There is no doubt that in assessing damages, the jury found that, pursuant to Friedman's testimony, the registration statement should have become effective on August 29, for it measured the damages by the market price of the Diners' stock on that day, \$23.50 less the \$15 price received by the Fugazys on the subsequent tender offer.¹⁹

19 Friedman misconceived the meaning of "median." The median figure simply means that half of the registration statement took less than 70 days to become effective, and that half took more than 70 days. The jury was never told that fully half the registration statements actually took more than 70 days. Nor was any indication given to the jury of the longest period for becoming effective, nor were any reasons given for the disparity in time between

the effective date of one registration statement against another. The statistic, while admissible by a stretching of relevance, should not have been accepted as undisputed fact on which to build an expert opinion without further explanation of its meaning.

*512 The basis of expert capacity, according to Wigmore (s 555), may “be summed up in the term ‘experience.’ ” But experience is hardly a qualification for construing a document for its legal effect when there is a knowledgeable gentleman in a robe whose exclusive province it is to instruct the jury on the law. The danger is that the jury may think that the “expert” in the particular branch of the law knows more than the judge—surely an inadmissible inference in our system of law.²⁰

²⁰ Cf. *Huff v. United States*, 273 F.2d 56 (5th Cir. 1959) (testimony by government customs inspector concerning “commercial” nature of imported goods); *Warren Petroleum Co. v. Thomasson*, 268 F.2d 5 (5th Cir. 1959) (testimony by police officer as to liability for auto accident which he witnessed). We cannot ignore the tendency of juries on occasion “to decide simply according to the preponderance of numbers and of influential names. . . .” VII Wigmore on Evidence s 1918, at 11; see *Duncan v. Mack*, 59 Ariz. 36, 122 P.2d 215 (1942).

In the securities law field, as in taxation, there are areas in which the expert can testify. Of course, opinions on value are clearly within the province of the knowledgeable expert. See, e. g., *Spitzer v. Stichman*, 278 F.2d 402, 409 (2d Cir. 1960). Illustratively also, he may testify how the bid and asked price of an over-the-counter security gets into the “pink sheets,” how price stabilization works, or how a stock exchange specialist operates. But these examples have their counterparts in non-admissibility. The expert, for example, may tell the jury whether he thinks the method of trading was normal, but not, in our view, whether it amounted to illegal manipulation under Section 9 of the Securities Exchange Act of 1934. He may explain the nature of an option contract, or of a convertible preferred stock, but we doubt that he should be allowed to testify that under an option agreement one party or the other has acted unlawfully, or that a corporation should be held liable because through a recapitalization it changed the conversion ratio and that this was a breach of contract. See *United States v. Cohen*, 518 F.2d 727, 737 (2d Cir. 1975).²¹

²¹ In *Cohen*, we affirmed Judge Ward in permitting the Chief of the Branch of Small Issues to give her expert opinion of the reach of the concepts of “underwriter” and “materiality.”

Recognizing that an expert may testify to an ultimate fact, and to the practices and usage of a trade, we think care must be taken lest, in the field of securities law, he be allowed to usurp the function of the judge. In our view, the practice of using experts in securities cases must not be permitted to expand to such a point, and hence we must reluctantly conclude that the leeway allowed Friedman was highly prejudicial to the appellant.

II

[4] Diners contends that it should have had a directed verdict because it had entered into an accord and satisfaction with the plaintiffs on August 27 providing that if the Fugazys signed and performed a written agreement acknowledging the prior Payment Condition, acknowledging their non-performance of the condition, and evidencing their undertaking to guarantee personally the obligation to pay one-half the expenses and if they delivered a proper indemnity agreement, Diners would proceed with the filing of the registration statement.

Diners raised the defense of accord only after verdict. It did not request its submission to the jury. If the issue had been presented in timely fashion, the existence of the accord would have been a question of fact for the jury. Judge Ward correctly rejected the belated argument.

III

[5] Defendants Diners and Diners/Fugazy Travel filed three counterclaims against plaintiffs. The first counterclaim, based on Rule 10b-5, alleged that defendants had been defrauded by the plaintiffs *513 into purchasing the assets of Fugazy Travel through misrepresentations and omissions concerning the nature and worth of those assets. The second counterclaim alleged that the Fugazys breached their common-law fiduciary duties to Diners and Diners/Fugazy Travel, arising from their capacities as officers and directors, by engaging in various self-dealing practices, including retention of an interest in Travelco, Inc., a franchisee of Fugazy Travel. The third counterclaim alleged that the misrepresentations and omissions underlying the first counterclaim also constituted breaches of the Purchase Agreement which, inter alia included warranties of full disclosure.

Evidence was presented by each side, and Judge Ward submitted the counterclaims to the jury in the form of a separate special verdict. The jury answered in favor of the plaintiffs on the counterclaims. After the verdict, the defendants moved to set it aside and the court denied the motion, as it had previously done on a motion for a directed verdict. Diners does not complain of the charge, but bases its appeal on the ground that the court erred in denying Diners' motions for a directed verdict and for judgment, Rule 50(b), on the counterclaims. Diners also complains of the exclusion of certain evidence relevant to its counterclaims. We affirm the judgment on the counterclaims.

Defendants' argument is essentially that the jury's verdict was unsupported by the evidence. It was established at trial that the Fugazys contracted in the Purchase Agreement and in their employment contracts not to engage in the travel business or to retain an interest in such a business. At the closing, the Fugazys signed affidavits that they had divested themselves of any such interest. It later appeared that, with respect to Travelco, some relationship continued to exist, through a management service contract with Travelco, pursuant to which the Fugazys were officers and directors. This was disclosed prior to the closing.

There was evidence, however, that the Fugazys had entered into an indemnity agreement with one Irwin Fruchtman, the purchaser of their interest in Travelco. The indemnity agreement provided, inter alia, that when a certain bank loan of Travelco (which Fruchtman had guaranteed and for which he was to be indemnified) was paid, the Fugazys would have the option to acquire 60% of the shares of Travelco for \$1.00. Whether this indemnity agreement was disclosed was the subject of some dispute. As Judge Ward said in his opinion denying the Rule 50(b) motion for judgment, "The jury chose to believe plaintiffs." We can add nothing to that gem of succinctness.

Judge Ward properly left it to the jury to determine whether the option provision of the indemnity agreement was an "interest" within the meaning of the contract. Defendants did not object to the charge, nor did they request any addition thereto. There was no evidence that plaintiffs had ever exercised their option.

Thus, there was sufficient evidence to support the verdict on all the counterclaims. Defendants also contend, however, that the District Court erred in excluding evidence relevant to its first and third counterclaims, based on alleged misrepresentations and omissions. There were three pieces

of evidence said to have been wrongfully excluded, as follows: (1) the circumstances surrounding a prior unrelated lawsuit entitled "Fugazy Travel Bureau, against Tower Credit Company"; (2) a memorandum on the stationery of Fugazy Travel purportedly reflecting an offer to sell that company in 1966 to Pierbusseti, Inc. through one Piscatella for \$250,000, plus the assumption of \$350,000 in liabilities; (3) testimony by Piscatella to the effect that Mr. Fugazy was aware in 1966 of pitfalls in the franchising concept which was sold to Diners in 1967. Defendants urge that all three items were probative of the Fugazys' knowledge and belief at the time that they sold the assets in Fugazy Travel, Inc.

(1) With respect to the Tower Credit Company lawsuit, which took place five years before the Diners transaction, Judge Ward acted well within his discretion in refusing to admit the unsworn complaint filed in that litigation. Since it was unauthenticated *514 hearsay involving a case that had been settled, and since the purpose for which Diners intended to use the unsworn complaint was avowedly to prove a prior fraud, the prejudicial effect of the unsworn complaint outweighed its probative value. [Fed.R.Evid. 403](#).

(2) The unsigned memorandum was excluded on the basis of lack of authentication to bind these plaintiffs. A witness, Piscatella, did testify that he received it from Summerlin and that he subsequently had a meeting with Marx. We cannot say that the judge abused his discretion in excluding the unsigned memorandum, since the development of its background and consequent anticipated rebuttal might have tended to a confusion of issues requiring a minitrial in itself.

(3) Piscatella was permitted to testify to conversations with William Fugazy concerning the operations of his company. The judge stated that he would accept proof of admissions made, even in 1966, but that he would not accept the "self-serving positive statements" of the witness that he had personally evaluated the franchising concept and that, in his opinion, it was worthless. No further admissions were offered, and the judge's ruling was correct.

IV

[6] The District Court directed a verdict for defendants on plaintiffs' claim, under Rule 10b-5, that they were induced to sell Fugazy Travel Bureau in October 1967, on the basis of representations concerning the timing of the Continental takeover. The takeover unquestionably was effectuated in 1970; the claim is that it took place later than was allegedly represented to them. Judge Ward concluded that, as a matter

of law, the defendants made no material misrepresentations prior to the closing date as to the specific date or time of the takeover; and that the plaintiffs did not rely on any representations regarding the timing of the takeover.

At trial, plaintiff Louis Fugazy testified that in October 1967 one officer of Diners Club told him that the takeover was "imminent." Plaintiff Marx testified that he was similarly told that "there would be a takeover in the foreseeable future." Plaintiff William Fugazy was told that Continental would acquire Diners "very shortly." On their cross-appeal plaintiffs contend that these were "specific representations" concerning the timing of the takeover, which was, in fact, not consummated for almost three years.

We agree with the District Court that plaintiffs did not make out a prima facie case under Rule 10b-5. As Judge Ward observed, there was no evidence that defendants indicated any specific time or method by which the takeover would occur. The general statements which were made (viewing the evidence most favorably to plaintiffs) did not constitute material misrepresentations of fact.

We need not hold that plaintiffs did not rely on these statements, although it is certainly difficult to believe that plaintiffs, sophisticated investment bankers and businessmen, would have governed their conduct in reliance on such imprecise representations. Similarly, we need not hold that these alleged representations were immaterial as a matter of law, although a reasonable man would certainly be hesitant to attach great importance to such indefinite predictions of the future. See *Radiation Dynamics, Inc. v. Goldmuntz*, 464 F.2d 876 (2d Cir. 1972), citing *SEC v. Texas Gulf Sulphur Co.*, 401 F.2d 833, 849 (2d Cir.), cert. denied sub nom. *Coates v. SEC*, 394 U.S. 976, 89 S.Ct. 1454, 22 L.Ed.2d 756 (1968); *List v. Fashion Park, Inc.*, 340 F.2d 457 (2d Cir.), cert. denied sub nom. *List v. Lerner*, 382 U.S. 811, 86 S.Ct. 23, 15 L.Ed.2d

60 (1965). For the defendants never represented as a fact that a takeover would occur within a certain period. They merely gave their general predictions as to future events. Thus, plaintiff Summerlin testified that he had been told that there was a probability of a takeover. Plaintiff Marx recognized that there was only a "possibility or probability" of a takeover, and he personally participated in attempts to try to effectuate the transaction. Plaintiff William Fugazy was told that it "looked like" *515 Continental was going to acquire Diners.²² Given the nature of these statements, we think the District Court properly noted the absence of any representations of specific timing. The general nature of the predictions precludes them from being representations of fact.

²² Plaintiffs put great emphasis on an alleged response of Victor Herd, the head of Continental Insurance to an inquiry about his takeover plans: "Well, you don't court a girl unless you are going to marry her."

But this evidence has the same infirmity as the rest of plaintiffs' case: the only fact that was represented was Continental's general intent to effectuate the acquisition.

To establish such a misrepresentation, plaintiffs had the burden of showing that, in making these predictions as to the takeover, defendants acted with scienter, that is, an intent to deceive, manipulate or defraud. *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 96 S.Ct. 1375 at 1381, 47 L.Ed.2d 668 & n. 2 (1976). They did not meet this burden. There was, on the contrary, evidence that they exerted substantial efforts to bring these predictions to fruition. And, of course, it is undisputed that the takeover was effected in 1970.

Affirmed in part; reversed in part and remanded.

All Citations

550 F.2d 505, Fed. Sec. L. Rep. P 95,892, 1 Fed. R. Evid. Serv. 661



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Disagreed With by [Resolution Trust Corp. v. Scott](#), S.D.Miss., May 30, 1996

17 F.3d 1126

United States Court of Appeals,
Eighth Circuit.

RESOLUTION TRUST CORPORATION, Appellant,

v.

A.P. EASON, Jr.; [Rex A. Smith](#); J.F.

Robinson; J. Warren Murray; Joe A.

Upchurch; Delbert A. Allen, Appellees,

James E. Shreve, Defendant.

RESOLUTION TRUST CORPORATION, Appellee,

v.

A.P. EASON, Jr.; [Rex A. Smith](#); J.F. Robinson; J.

Warren Murray; Joe A. Upchurch, Defendants,

Delbert A. Allen, Appellant,

James E. Shreve, Defendant.

RESOLUTION TRUST CORPORATION, Appellee,

v.

A.P. EASON, Jr.; [Rex A. Smith](#); J.F. Robinson;

J. Warren Murray; Joe A. Upchurch, Appellants,

Delbert A. Allen; James E. Shreve, Defendants.

Nos. 93–2185, 93–2264 and 93–

2266. | Submitted Dec. 13,

1993. | Decided March 3, 1994.

Resolution Trust Corporation (RTC) brought action against officers and directors of failed savings and loan alleging negligence and breach of fiduciary duty in approving loans that later failed. The United States District Court for the Western District of Arkansas, [H. Franklin Waters](#), Chief Judge, dismissed action, and RTC appealed. The Court of Appeals, [Bright](#), Senior Circuit Judge, held that: (1) work papers of Federal Home Loan Bank Board (FHLBB) examiner were admissible under business records exception to hearsay rule and were properly authenticated; (2) officers were entitled to instruction on industry custom and business judgment rule; and (3) officers were not entitled to attorney's fees from RTC.

Affirmed.

West Headnotes (14)

[1] Evidence [Proof of genuineness in general](#)

157 Evidence

157X Documentary Evidence

157X(D) Production, Authentication, and Effect

157k366 Public Documents, Records, Exemplifications, or Official Copies

157k366(2) Proof of genuineness in general

Work papers of Federal Home Loan Bank Board (FHLBB) examiner which contained “excellent investment” notation were properly authenticated in action against officers and directors of failed savings and loan for negligence and breach of fiduciary duty, where counsel for Resolution Trust Corporation (RTC) conceded genuineness of exhibits. [Fed.Rules Evid.Rule 901](#), 28 U.S.C.A.

1 Cases that cite this headnote

[2] Evidence [Minutes and memoranda](#)

157 Evidence

157X Documentary Evidence

157X(A) Public or Official Acts, Proceedings, Records, and Certificates

157k333 Official Records and Reports

157k333(12) Minutes and memoranda

Work papers of Federal Home Loan Bank Board (FHLBB) which contained “excellent investment” notation were admissible under business records exception to hearsay rule in action against officers and directors of failed savings and loan for negligence and breach of fiduciary duty, in view of evidence that notes were prepared by member of FHLBB staff in course of his duties and testimony that examiners made handwritten notes in course of their examination of savings and loan's records. [Fed.Rules Evid.Rule 803\(6\)](#), 28 U.S.C.A.

1 Cases that cite this headnote

[3] Evidence [Preliminary Evidence for Authentication](#)

157 Evidence

157X Documentary Evidence

157X(D) Production, Authentication, and Effect

157k369 Preliminary Evidence for Authentication

157k369.1 In general

As long as other requirements of business records exception to hearsay rule are met, custodian or other qualified witness need not have personal knowledge regarding creation of document offered, or personally participate in its creation, or even know who actually recorded information. [Fed.Rules Evid.Rule 803\(6\)](#), 28 U.S.C.A.

10 Cases that cite this headnote

[4] Evidence

 Tendency to mislead or confuse

157 Evidence

157IV Admissibility in General

157IV(D) Materiality

157k146 Tendency to mislead or confuse

Resolution Trust Corporation's (RTC) argument in action against officers and directors of failed savings and loan that risk of unfair prejudice to RTC in admitting into evidence work papers of Federal Home Loan Bank Board (FHLBB) examiner substantially outweighed probative value of exhibits first should have been presented to district court. [Fed.Rules Evid.Rule 403](#), 28 U.S.C.A.

3 Cases that cite this headnote

[5] Evidence

 Proof of genuineness in general

Federal Courts

 Irrelevant evidence and hearsay

157 Evidence

157X Documentary Evidence

157X(D) Production, Authentication, and Effect

157k366 Public Documents, Records,

Exemplifications, or Official Copies

157k366(2) Proof of genuineness in general

170B Federal Courts

170BXVII Courts of Appeals

170BXVII(K) Scope and Extent of Review

170BXVII(K)4 Harmless and Reversible Error

170Bk3686 Particular Errors as Harmless or Prejudicial

170Bk3701 Evidence

170Bk3701(2) Admission of Evidence

170Bk3701(6) Irrelevant evidence and hearsay
(Formerly 170Bk899)

Although foundation for admitting work papers of Federal Home Loan Bank Board (FHLBB) under business records exception to hearsay rule in action against officers and directors of failed savings and loan was sparse and somewhat questionable, introduction of evidence was at worst harmless error, given volume of evidence presented to jury during six-day trial. [Fed.Rules Evid.Rule 803\(6\)](#), 28 U.S.C.A.

1 Cases that cite this headnote

[6] Federal Civil Procedure

 Instructions

Federal Courts

 Instructions

170A Federal Civil Procedure

170AXV Trial

170AXV(G) Instructions

170Ak2171 In general

170B Federal Courts

170BXVII Courts of Appeals

170BXVII(K) Scope and Extent of Review

170BXVII(K)4 Harmless and Reversible Error

170Bk3686 Particular Errors as Harmless or Prejudicial

170Bk3703 Instructions

170Bk3703(1) In general

(Formerly 170Bk908.1)

District court has broad discretion to frame jury instructions and as long as entire charge fairly and adequately contains law applicable to case, judgment will not be disturbed on appeal.

7 Cases that cite this headnote

[7] Building and Loan Associations

 Liability of officers

66 Building and Loan Associations

66k23 Officers and Agents

66k23(8) Liability of officers

Officers and directors of failed savings and loan were entitled to instruction on industry custom in action against them alleging negligence and breach of fiduciary duty, in view of officer's testimony that Federal Home Loan Bank Board

(FHLBB) had not questioned officers and directors reliance on lead lenders in making its in-state loan participations and in view of evidence that FHLBB had proposed to codify its approval of practice of relying on lead lender in making loan participations and that grade “B” had been given to savings and loan's underwriting practices by FHLBB.

[Cases that cite this headnote](#)

[8] Corporations and Business Organizations

🔑 Business judgment rule in general

101 Corporations and Business Organizations

101VII Directors, Officers, and Agents

101VII(D) Rights, Duties, and Liabilities as to Corporation and Its Shareholders or Members

101k1840 Fiduciary Duties as to Management of Corporate Affairs in General

101k1842 Business judgment rule in general
(Formerly 101k310(1))

To invoke business judgment rule, directors must show that they were disinterested and that their conduct otherwise met test of business judgment, and that they informed themselves of all material information reasonably available to them before making business decision, and having become so informed, acted with requisite care in discharging their duties.

[Cases that cite this headnote](#)

[9] Building and Loan Associations

🔑 Liability of officers

66 Building and Loan Associations

66k23 Officers and Agents

66k23(8) Liability of officers

Officers and directors of failed savings and loan were entitled to instruction on business judgment rule in action against them for negligence and breach of fiduciary duty in approving loans that later failed, in view of evidence that officer and two of his top employees would review material from lead lender prior to participation in loan, and that, in evaluating participations, officer relied on presence of “take out commitments” which were promises made by one participating savings and loan committing that savings and

loan to pay off all other participants if original borrower failed to do so.

[1 Cases that cite this headnote](#)

[10] Building and Loan Associations

🔑 Liability of officers

66 Building and Loan Associations

66k23 Officers and Agents

66k23(8) Liability of officers

Instruction that to invoke protection of business judgment rule director or officer has duty to inform himself of all material information reasonably available to him prior to making business decision was proper in action against officers and directors of failed savings and loan for alleged negligence and breach of fiduciary duty in approving loans.

[Cases that cite this headnote](#)

[11] Federal Courts

🔑 Costs and attorney fees

170B Federal Courts

170BXVII Courts of Appeals

170BXVII(K) Scope and Extent of Review

170BXVII(K)2 Standard of Review

170Bk3612 Remedial Matters

170Bk3617 Costs and attorney fees

(Formerly 170Bk830)

Court of Appeals will reverse district court's decision to award attorney's fees under Equal Access to Justice Act (EAJA) only for abuse of discretion. 28 U.S.C.A. § 2412(b).

[Cases that cite this headnote](#)

[12] United States

🔑 Immunity and Waiver

393 United States

393II Liabilities of and Claims Against United States

393II(J) Costs and Fees

393II(J)1 In General

393k1096 Immunity and Waiver

393k1097 In general

(Formerly 393k147(5))

Equal Access to Justice Act (EAJA) operates as limited waiver of United States' sovereign

immunity by permitting courts to award reasonable attorney's fees to prevailing party in any civil action brought by or against federal government. 28 U.S.C.A. § 2412(b).

Cases that cite this headnote

[13] United States

🔑 Immunity and Waiver

393 United States

393II Liabilities of and Claims Against United States

393II(J) Costs and Fees

393II(J)1 In General

393k1096 Immunity and Waiver

393k1097 In general

(Formerly 393k147(5))

Waivers of sovereign immunity under section of Equal Access to Justice Act (EAJA) which permits district courts to award reasonable attorney's fees to prevailing party in action brought by or against federal government must be strictly construed in government's favor. 28 U.S.C.A. § 2412(b).

Cases that cite this headnote

[14] United States

🔑 Persons Entitled; Eligibility

United States

🔑 Financial institutions

393 United States

393II Liabilities of and Claims Against United States

393II(J) Costs and Fees

393II(J)1 In General

393k1090 Persons Entitled; Eligibility

393k1091 In general

(Formerly 393k147(7))

393 United States

393II Liabilities of and Claims Against United States

393II(J) Costs and Fees

393II(J)2 Grounds

393k1104 Particular Cases and Contexts

393k1118 Financial institutions

(Formerly 393k147(11.1))

Officers who prevailed on merits in action by Resolution Trust Corporation (RTC) against them for negligence and breach of fiduciary

duty in approving loans were not entitled to attorney's fees from RTC under federal regulation authorizing indemnification of officer of savings and loan association for expenses incurred in defending charges arising out of conduct associated with his position, as regulation as whole applies only during life of indemnifying association or life of its legal representatives and where, by time RTC instituted action, savings and loan had long since failed and no longer had board of directors. 28 U.S.C.A. § 2412(b).

5 Cases that cite this headnote

Attorneys and Law Firms

*1128 Counsel who presented argument on behalf of the appellant was Lance Stockwell, Tulsa Oklahoma, for RTC. Additional attorneys appearing on the brief were Bradley K. Beasley and Sheila M. Powers, Tulsa OK, Lavenski R. Smith, Springdale, AR, Neysa Day, Overland Park, KS.

Counsel who presented argument on behalf of the appellee was William J. Butt, II, Fayetteville, for appellees Eason, Smith, Robinson, Murry and Upchurch and Matthew T. Horan, Fort Smith, AR, for appellee Allen.

Before MAGILL, Circuit Judge, BRIGHT, Senior Circuit Judge, and BEAM, Circuit Judge.

Opinion

BRIGHT, Senior Circuit Judge.

Resolution Trust Corporation (RTC) brought this jury action seeking damages in the sum of \$12 million against officers and directors (Officers) of the failed First Federal Savings and Loan Association of Fayetteville, Arkansas (First Federal) alleging negligence and breach of fiduciary duty in approving loans that later failed. The jury denied *1129 recovery and RTC appeals from a judgment of dismissal. The Officers cross-appeal from the district court's post-trial order denying attorney's fees. We reject both appeals and affirm.

In its appeal, RTC contends that the district court erred in (1) admitting into evidence two unauthenticated documents which contained hearsay; (2) instructing the jury on custom and usage in the savings and loan industry; and (3) instructing

the jury on the business judgment rule, and then erroneously stating the rule's content.

I. BACKGROUND

RTC named bank officer Eason and directors Smith, Robinson, Murray, Upchurch and Allen as defendants. Eason founded First Federal in 1953, and operated the S & L as its president until the institution failed in 1989. Smith, Robinson, Murray, Upchurch and Allen served on First Federal's Board of Directors during the early 1980s, when the challenged loans were made.

Between 1982 and 1984 First Federal made \$25 million in "participation loans". A financial institution makes (or "purchases") a participation loan when it agrees to join other institutions in a large loan transaction, with each institution contributing part of the total loan. Typically, a borrower approaches one S & L for the entire loan, and that S & L, referred to as the "lead lender", attempts to find other institutions to become participants.

First Federal's participation loans were made to borrowers seeking tens of millions of dollars to build large-scale commercial real estate projects. First Federal typically loaned between \$500,000 and \$2 million toward these projects, and other S & Ls participated in varying amounts to meet the borrowers' needs.

RTC challenges eleven failed loans which allegedly resulted in losses to First Federal of approximately \$12 million. RTC concedes that the Officers did not err in deciding to enter the risky business of participation loans, but contends that the manner in which the Officers underwrote those loans constituted negligence and a breach of fiduciary duty. In the S & L industry "underwriting" refers to the process by which a financial institution determines the likelihood of repayment for a potential loan.

Generally, First Federal entered into the challenged participation loans in the following way.¹ A lead lender, usually an S & L in the state where the borrower intended to build the project, would send First Federal's loan officers written information about the proposed construction. Eason and two of his top employees would review the material from the lead lender, which typically included financial statements and other pertinent information about the borrower, along with details about the total cost of the project and the extent of participation sought. Sometimes a First Federal employee,

as part of the loan evaluation, would visit the community in which the construction would take place. More often, however, Eason evaluated the participation opportunity on the basis of the information provided by the lead lender and his own personal knowledge of the lead lender, the loan broker, or the other participants.

¹ Minor distinctions in the loans do not affect our consideration of the totality of loans in this appeal.

In evaluating participations Eason also relied on the presence of "take-out" commitments, which are promises made by one participating S & L committing that S & L to paying off all the other participants if the original borrower fails to do so. With respect to the challenged loans, the take-out lender would typically commit to paying off the other participants eighteen months after the project began. Eason favored participations with take-out commitments, reasoning that the presence of a take-out lender reduced the investment's risk. Again Eason relied solely on the lead lender's assessment of the reliability of the take-out commitment, and conducted no independent investigation concerning the financial soundness of the take-out lender.

Eason rejected some proposals on the basis of the information provided by the lead *1130 lenders. Proposals not rejected came to First Federal's Board of Directors for approval. The Board reviewed Eason's presentations and ultimately gave approval to all of the projects which were brought before it.

Some of First Federal's participations fared well, resulting in full and prompt repayment at a high rate of interest. As noted, eleven loans challenged by RTC produced losses. In some cases these loans were a total loss; in others First Federal sued the borrower or the take-out lender and recovered a portion of its investment.

After First Federal went bankrupt in 1989, the Office of Thrift Supervision (OTS) appointed RTC as receiver. Prior to bringing this action, RTC in its corporate capacity purchased from RTC as receiver the "right" to assert the negligence and breach of fiduciary duty claims against the Officers.

At trial, the parties hotly disputed the adequacy of First Federal's underwriting. RTC asserted that First Federal's underwriting included no "verification", that is, no attempt to ensure the accuracy of the financial information provided to First Federal about the borrower. The Officers responded in defense that they had relied justifiably on the lead lenders to perform the process of verification, and that they never

had been criticized for this practice with respect to numerous smaller-scale in-state loan participations purchased during the 1970s. Each side presented evidence, expert witnesses and others, to support their respective contentions.

The Officers also introduced evidence that in 1983 a Federal Home Loan Bank Board (FHLBB) examiner gave First Federal's underwriting a letter grade of "B" (on an A to F scale), and answered "Yes" to the question "Are underwriting standards for loan commitments adequate?". Tr. at 577–79, Exhibits 78 and 79. In addition, two workpapers of an FHLBB examiner admitted into evidence over RTC's objection contained the handwritten comment "excellent investment" relating to each of two of the challenged loans. Tr. at 514–16, Exhibits 76 and 77.

At the close of RTC's evidence, the Officers moved for judgment as a matter of law. The district court denied this motion. The district court instructed the jury on the applicable Arkansas law of negligence and breach of fiduciary duty. The trial court also instructed the jury on the business judgment rule, and on custom and usage in the S & L industry.

The court gave the jury twelve interrogatories applicable to each of the eleven loans in question. The jury answered "no" to the interrogatories relating to the liability of defendants on each of the loans and the trial judge entered a judgment of dismissal. RTC then moved for a new trial on the same grounds presented in this appeal. The district court denied RTC's motion, and also denied the Officers' subsequent motion for attorney's fees.

We now turn to RTC's appeal.

II. DISCUSSION

A. The Handwritten Notes

During the cross-examination of Eason, the defendants sought to introduce into evidence two FHLBB documents, one relating to the Eagleridge loan and the other to the Century Park loan. Before defendants' counsel offered the documents, Eason testified (1) that in 1983 the FHLBB Examiner-in-Charge complimented the S & L on its documentation of loan participations; (2) that examiners often made longhand written notes on examination documents; and (3) that Eason had seen the "federal exam workpapers" on the Eagleridge and Century Park loans. Defendants' counsel then offered the workpapers, each of which contained the

handwritten notation "excellent investment." RTC's counsel objected, stating that the notes

were prepared ... by ... one of the staff people who [examined] the loan, and he simply [examined] the terms of the loan, and then he called it an excellent investment and put down a percentage that there was a return that was coming on it. We do not know if this particular individual did any underwriting examination of it.... And so as a result, it is hearsay in the opinion of some staff person who we *1131 don't know the nature or extent of the work that he did.

Trial Tr. at 514. Before ruling on the objection, the trial court initiated the following colloquy, which applied to both exhibits:

THE COURT: Wasn't it made, though, that he was an employee of the examining agency and wasn't it made in the course of his duties?

MR. STOCKWELL [RTC's counsel]: It was made in the course of his duties, but I don't know that his duties involved the analysis of underwriting, because that's what the notes reflect—that's not what the notes reflect. And I have no way to cross examine him—He is not here—to know why he wrote that down.

THE COURT: All right. The objection is overruled. I think it's admissible.

Trial Tr. at 514–15. The district court thereupon admitted the workpapers as Exhibits 76 and 77.

RTC appeals the district court's decision to admit the workpapers on three grounds—lack of authentication ([Fed.R.Evid. 901](#)), hearsay ([Fed.R.Evid. 803](#)), and undue prejudice ([Fed.R.Evid. 403](#)).² “ ‘A trial court's ruling concerning the admissibility of evidence can be reversed only upon showing that a clear abuse of discretion has occurred.’ ” *Campbell v. Gregory*, 867 F.2d 1146, 1147 (8th Cir.1989) (quoting *Hoover v. Thompson*, 787 F.2d 449, 450 (8th Cir.1986)).

2

While at trial RTC's counsel did not deny the genuineness of the document as a government record prepared by an FHLBB examiner, the RTC added lack

of authentication as a further ground for inadmissibility in its post-trial motion. On appeal, RTC adds another new ground of error, namely that the written comments operated to unfairly prejudice RTC and should have been excluded under [Fed.R.Evid. 403](#).

In rejecting the RTC's motion for new trial, the district court made the following observations concerning the questioned exhibits:

The court also rejects plaintiff's contention that the admission of defense exhibits 76 and 77 was improper. The exhibits in question were produced during discovery by the *plaintiff* and were represented to be true and accurate copies of the examination reports. As such, the court believes the exhibits were admissible as business records. Further, as defendants point out Mr. Eason had already testified regarding the remarks of the examiner. Even if the court believed its evidentiary ruling with respect to these exhibits was in error, which it does not, the court would not grant a new trial. The admission of these exhibits, even if erroneous, was not so prejudicial as to require a new trial.

Appellant's App. at 25 (Order of Apr. 6, 1993) (emphasis added).

[1] We agree with the district court. First, RTC's authentication objection lacks merit. Counsel for RTC conceded the genuineness of these two exhibits, satisfying the authentication requirement of [Fed.R.Evid. 901](#).

[2] Second, the statement of RTC's counsel at the bench conference and other evidence established a foundation sufficient, although barely so, to support admissibility of the exhibits under [Fed.R.Evid. 803\(6\)](#).³ *1132 RTC's counsel conceded the notes were prepared by a member of the FHLBB staff "in the course of his duties," although counsel added that he did not know whether "his duties involved the analysis of underwriting." Trial Tr. at 514. Other testimony, however, indicated examiners made handwritten notes in the course of their examination of records. Moreover, the exhibits showing that the FHLBB graded highly First Federal's underwriting demonstrated that the examiner did review underwriting

practices as part of his job. The evidence plus statements by RTC's counsel established that the workpapers containing the "excellent investment" notations had been made (and kept) in the course of a regularly conducted activity, as part of the FHLBB's regular practice of examining thrift institutions.

3 Rule 803(6) of the Federal Rules of Evidence reads:

(6) Records of regularly conducted activity. A memorandum, report, record, or data compilation, in any form, of acts, events, conditions, opinions, or diagnoses, made at or near the time by, or from information transmitted by, a person with knowledge, if kept in the course of a regularly conducted business activity, and if it was the regular practice of that business activity to make the memorandum, report, record, or data compilation, all as shown by the testimony of the custodian or other qualified witness, unless the source of information or the method or circumstances of preparation indicate lack of trustworthiness. The term 'business' as used in this paragraph includes business, institution, association, profession, occupation, and calling of every kind, whether or not conducted for profit.

We note in passing that the Officers did not necessarily introduce the workpapers to prove that the Eagleridge and Century Park loans were in fact "excellent investments". The Officers could have offered the workpapers for the non-hearsay purposes of (1) showing the examiner's state of mind at the time of the exam, (2) supporting Eason's claims that the examiners stated to Officers that the S & L loan practices were proper; and (3) that the Officers had no reason to believe the FHLBB considered First Federal's lending practices unsafe, unsound, or unusual (Officers' state of mind).

[3] Nothing in the record indicates that Exhibits 76 and 77 were untrustworthy, or that Eason could not furnish some background information to help establish the exhibits as business records. *See* 4 Weinstein's *Evidence* § 803(6)[02], p. 803–178 (1993) ("phrase 'other qualified witness' [in [Rule 803\(6\)](#)] should be given the broadest interpretation ..."). As long as the other requirements of the business records exception are met, a custodian or "other qualified witness" need not have personal knowledge regarding the creation of the document offered, or personally participate in its creation, or even know who actually recorded the information. *United States v. Franks*, 939 F.2d 600, 602 (8th Cir.1991).

[4] Third, RTC's [Fed.R.Evid. 403](#) objection that the risk of unfair prejudice to RTC substantially outweighed the

probative value of the exhibits first should have been presented to the district court. We decline, therefore, to address that contention.

[5] Finally, given the volume of evidence presented to the jury during the six-day trial, the introduction of these exhibits amounted at worst to harmless error. Accordingly, notwithstanding the sparse and somewhat questionable foundation, we will not overturn the judgment on this evidentiary issue.⁴

⁴ The objection that the exhibits did not intend to address any matter other than the interest rate, not the propriety of the underwriting, might have received clarification by an instruction under [Fed.R.Evid. 105](#), but neither party requested such an instruction on limited admissibility.

B. Jury Instructions

RTC contends that the evidence in the record did not warrant jury instructions on custom and usage in the S & L industry (Instruction 12) and the business judgment rule (Instruction 16). RTC also contends that the district court erred in stating the contents of the business judgment rule.

[6] [7] A district court has broad discretion to frame jury instructions and “as long as the entire charge fairly and adequately contains the law applicable to the case, the judgment will not be disturbed on appeal.” *City of Malden, Mo. v. Union Elec. Co.*, 887 F.2d 157, 163 (8th Cir.1989). We first consider whether the Officers introduced sufficient evidence to warrant the instruction on industry custom.

The district court's instruction on custom and usage read:

In deciding whether the defendants were negligent in the performance of their duties to [First Federal], conformity to the customs and practices of others engaged in the management and administration of similar savings and loan associations can be considered by you. However, conformity to the customs or practices of others in the industry is not conclusive on the issue of negligence. An industry wide custom or practice may itself be unreasonable or unwise under the circumstances.

In order to establish a custom or practice of an industry, the custom or practice must be shown to have been uniform, definite, and have been in existence long enough for it to have become generally known.

Instruction 12, Tr. at 1274. The RTC contends that the Officers failed to adduce sufficient evidence establishing the uniform existence of an industry custom to which the Officers' conduct could be compared. The record indicates that the Officers introduced enough evidence to warrant the instruction.

***1133** Eason testified that First Federal relied on lead lenders in making its in-state loan participations during the 1970s. Tr. at 172–73. The FHLBB had not questioned this practice. Allen, a First Federal board member and lifetime banking professional, testified to his understanding that S & Ls customarily relied on the accuracy of lead lenders' information, both in Arkansas and nationally. Tr. at 606. Allen also testified that the bank he operated relied on lead lenders to verify financial information submitted in support of participation proposals. Again, a jury could reasonably infer from this testimony that First Federal did nothing unusual in relying on lead lenders.

The Officers also introduced two pieces of strong tangible evidence which further supported the instruction on custom and usage: (1) a Notice of Proposed Rulemaking from 1986 in which the FHLBB proposed to codify its approval of the practice of relying on the lead lender, Exhibit 67; and (2) the grade of “B” given to First Federal's underwriting practices in 1983 by the FHLBB. This evidence suggests that the Officers followed customary underwriting practices that had been found acceptable to the FHLBB. In addition, the court fairly placed the issue before the jury with the neutral and conditional language of the instruction, requiring sufficient evidence of an industry custom *before* considering custom and usage on the question of liability.

[8] [9] We reach the same conclusion concerning the district court's instruction on the business judgment rule.⁵ To invoke the rule, directors must show (1) that they were disinterested and that their conduct otherwise met the test of business judgment, and (2) that they informed themselves of all material information reasonably available to them before making a business decision, and having become so informed, acted with requisite care in discharging their duties. *Hall v. Staha*, 303 Ark. 673, 800 S.W.2d 396, 399 (1990). After carefully reviewing the record we determine that the Officers introduced enough evidence concerning their underwriting practices to justify the instruction.

⁵ The instruction read:

The defendants contend that they are not liable for any losses resulting from the loans in question because their acts and decisions were protected by the “business judgment rule.”

The “business judgment rule” is a presumption that in making a business decision the directors or officers of a corporation acted on an informed basis, in good faith, and in an honest belief that the action taken was in the best interest of the company. This rule is based on the assumption that the directors or officers of the corporation are better equipped than the Court or the jury to make business judgments or decisions.

A director or officer may rely on the protections of the “business judgment rule” if:

1. The director or officer is disinterested and has acted in good faith. The term “disinterested” means that the director or officer must not be personally interested, financially or otherwise, in the transaction at issue; and
2. The director or officer had fulfilled his duty to inform himself of all material information reasonably available to him prior to making the business decision.

You are instructed that in this case, the plaintiff does not contend that defendants were personally interested, financially or otherwise, in any of the loans which are the subject matter of this lawsuit or that they acted in bad faith. Thus, if you find from a preponderance of the evidence that a defendant has met the requirements set forth in sub-paragraph 2 above, your verdict shall be for such defendant unless you find that the plaintiff has rebutted the presumption created by the business judgment rule by showing that no person with ordinary, sound business judgment would have, as an officer or director of the corporation, assented to the action taken.

Instruction 16, Tr. at 1276–77.

Moreover, Instruction 16 did not demand that the jury apply the rebuttable presumption of the business judgment rule, but instead *permitted* the jury to apply the presumption only “if” the jury found from a preponderance of the evidence that the defendants fully informed themselves of all pertinent material. While “[t]he assumption of a disputed fact in a jury instruction is prejudicial error”, *Weatherford v. Wommack*, 298 Ark. 274, 766 S.W.2d 922, 924 (1989), the conditional language of the instruction required the jury to resolve the core factual issue of whether the Officers adequately informed themselves *before* applying the presumption in the Officers' favor.

[10] Next we consider RTC's contention that the district court's instruction on the *1134 business judgment rule contained ambiguous and inconsistent language. The Arkansas Supreme Court mandates that to invoke the protection of the business judgment rule, “directors have a duty to inform themselves of all material information reasonably available to them prior to making a business decision.” *Hall v. Staha*, 303 Ark. 673, 800 S.W.2d 396, 399 (1990). Instruction 16 tracked verbatim this critical language from *Hall* and comes within the rule that “there is no entitlement to any particular language in an instruction.” *May v. Arkansas Forestry Commission*, 993 F.2d 632, 637 (8th Cir.1993). The district court did not misstate the content of the Arkansas business judgment rule.

We affirm the district court on the RTC's appeal, and now turn to the Officers' cross-appeal.

III. OFFICERS' CROSS-APPEAL

The Officers allege that the district court improperly denied their motion for attorney's fees based on the Equal Access to Justice Act (EAJA), which states:

Unless expressly prohibited by statute, a court may award reasonable fees and expenses of attorneys ... to the prevailing party in any civil action brought by or against the United States or any agency ... of the United States.... The United States shall be liable for such fees and expenses to the same extent that any other party would be liable under the common law or under the terms of any statute which specifically provides for such an award.

28 U.S.C. § 2412(b) (1988).

[11] We will reverse a district court's decision to award attorney's fees under EAJA only for an abuse of discretion. *SEC v. Comserv Corp.*, 908 F.2d 1407, 1411 (8th Cir.1990). “In applying this standard, we review the district court's conclusions of law de novo, and reject its findings of fact only if clearly erroneous.” *Id.*

[12] [13] Section 2412 operates as a limited waiver of the United States' sovereign immunity by permitting courts to award reasonable attorney's fees to the prevailing party in

any civil action brought by or against the federal government. Waivers of sovereign immunity under § 2412(b) “must be strictly construed in the government's favor.” *Premachandra v. Mitts*, 753 F.2d 635, 641 (8th Cir.1985). The question we face is whether the Officers, having prevailed on the merits, are entitled to attorney's fees from RTC under this section.⁶

⁶ Section 2412(b) renders the United States liable for attorney's fees to the same extent that any other party would be liable “under the *common law* or under the terms of any *statute* which specifically provides for such an award.” 28 U.S.C. § 2412(b) (emphasis added). We have held that the underlying provisions referred to in § 2412(b) must be *federal*, that is, federal common law or a federal statute. *Olson v. Norman*, 830 F.2d 811, 822 (8th Cir.1987) (“We do not read § 2412(b) to subject the United States to liability for attorneys' fees based on state laws, be they statutory or common”). To the extent that the Officers continue to raise underlying state law provisions, we reject these contentions based on *Olson*.

[14] The Officers contend that when RTC in its corporate capacity acquired certain assets of First Federal, including the right to bring the claims raised in this action, RTC stood in the shoes of First Federal for purposes of this lawsuit. Thus, the argument goes, the district court erred in not holding RTC liable for attorney's fees to the same extent that First Federal would have been had First Federal brought the case. The Officers assert that First Federal would have been liable to the prevailing defendants under 12 C.F.R. § 545.121 (1989)⁷, which mandates *1135 that financial associations indemnify directors for attorney's fees when directors prevail across the board on the merits of any lawsuit challenging their conduct on behalf of the financial institution.

⁷ This regulation reads:

A Federal association shall indemnify its directors, officers, and employees in accordance with the following requirements:

....

(b) *General*. Subject to paragraph (c) of this section, an association shall indemnify any person against whom an action is brought or threatened because that person is or was a director, officer, or employee of the association, for:

- (1) Any amount for which that person becomes liable under a judgment in such action; and
- (2) Reasonable costs and expenses, including reasonable attorney's fees, actually paid or incurred by that person in defending or settling such action, or in enforcing his rights under this section if he

attains a favorable judgment in such enforcement action.

(c) *Requirements*. Indemnification shall be made to such person under paragraph (b) of this section only if:

(1) Final judgment on the merits is in his favor; ...
12 C.F.R. § 545.121.

For purposes of this litigation we assume that such regulation incorporates common law indemnity in the federal law or that the regulation serves to impose a federal statutory liability for indemnification.

The district court denied the Officers' motion for attorney's fees, concluding that 12 C.F.R. § 545.121 “does not provide a statutory basis for an award of fees and expenses under EAJA.” The district court reasoned:

Section 545.121 is merely a provision which delineates the circumstances under which a regulated savings and loan association is required or permitted to indemnify its officers and directors. The regulation itself states that it is subject to and qualified by the right of the RTC to hold directors and officers personally liable.

District Court's Letter resolving motions for fees and costs (4/26/93) at 7.

We agree with the district court. Section 545.121 clearly contemplates that the “association” furnishing indemnification must itself be a going concern. For example, where an officer wins final judgment other than on the merits, an association must provide indemnification only if:

a majority of the disinterested directors of the association determine that [the officer] was acting in good faith within the scope of his employment or authority as he could reasonably have perceived it under the circumstances and for a purpose he could reasonably have believed under the circumstances was in the best interests of the association or its members. However, no indemnification shall be made unless the association gives the Board at least 60 days' notice of its intention to make such indemnification.

12 C.F.R. § 545.121(c)(2)(iii). Further, § 545.121(e) provides for advance payment of costs and attorney's fees subject to the majority approval of the board. These provisions assume the existence of an ongoing institution with a working board of directors. We conclude that as to a claim for attorney's fees against RTC the regulation as a whole applies only during the life of the indemnifying association or the life of its "legal representatives, successors, and assigns." See 12 C.F.R. § 545.121(a)(2).

Importantly, by the time RTC instituted this suit, First Federal had long since failed and no longer had a board of directors. Further, RTC made no attempt to carry on the thrift's business; the corporation has sought only to resolve the bankrupt institution pursuant to its authority under 12 U.S.C. § 1441a(b)(3). We are unconvinced that RTC became a legal successor to, or assignee of, First Federal with respect to indemnification obligations under 12 C.F.R. § 545.121, because the indemnification "liability" did not even exist when the OTS appointed RTC as First Federal's receiver. During the existence of the thrift association, First Federal never initiated legal action against the Officers, and thus incurred no indemnification liability.

The Officers cite *Harris v. Resolution Trust Corporation*, 939 F.2d 926 (11th Cir.1991), for the proposition that 12 C.F.R. § 545.121 imposes the same indemnification liability on RTC as on the thrift institution itself. *Harris*, in our view, adds little force to the Officers' position.

Prior to Harris' suit against RTC, the government indicted him for conspiring to obtain a seat on Community Federal of Tampa's board of directors, and for fraudulently making a false entry in the board's minutes. The jury acquitted Harris on the false entry charge, but could not reach a verdict on the conspiracy count. Harris then made a demand on Community Federal's board for mandatory indemnification under § 545.121, claiming he had won final judgment on the merits of the action. The board refused to indemnify Harris,

who then sued RTC, which by this time had become receiver for Community Federal.

*1136 The Eleventh Circuit affirmed the trial court's judgment denying mandatory indemnification under § 545.121 on the ground that Harris had not won an across the board victory, noting the hung jury on the conspiracy count. 939 F.2d at 928–29. The holding in *Harris* thus provides no support for the Officers' claim in the instant case. The statement in *Harris* suggesting that the court would have compelled the RTC to indemnify Harris had he won on both counts amounts to dictum only. More importantly, *Harris* sheds no light on whether § 545.121 applies to a defunct thrift with no working board. To the contrary, Harris made his demand for indemnification against an active corporation and a working board of directors.

Absent more explicit language in § 545.121, we reject the Officers' claim for indemnification.⁸ Accordingly, we determine that the district court did not err in denying attorney's fees to the Officers.

⁸ Cf. *Adams v. RTC*, 831 F.Supp. 1471, 1478–79 (D.Minn.1993) (reading 12 C.F.R. § 545.121(g) in conjunction with 12 U.S.C. § 1821(k), indemnification unavailable from RTC when it sues directors for wrongful conduct against financial institution).

IV. CONCLUSION

Finding no error in any of the challenged rulings, we affirm the judgment of the district court.⁹

⁹ The Officers' cross-appeal asserts that the district court erred in denying its motion for judgment as a matter of law made after the close of the RTC's evidence. Our affirmance moots that issue.

All Citations

17 F.3d 1126, 40 Fed. R. Evid. Serv. 592

483 F.2d 573
United States Court of Appeals,
Eighth Circuit.

UNITED STATES of America, Appellee,

v.

David A. MORTON, Jr., Appellant.

No. 72-1662. | Submitted June
13, 1973. | Decided Aug. 15, 1973.
| Rehearing Denied Sept. 10, 1973.

Defendant was convicted in the United States District Court for the Eastern District of Arkansas, Paul X. Williams, J., of conspiracy to distribute cocaine and of aiding and abetting in distribution of cocaine hydrochloride and he appealed. The Court of Appeals, Heaney, Circuit Judge, held that defendant failed to show that he had been prejudiced by denial of his motions for continuance; that trial court had not erred in admitting testimony of named coconspirator; that court had not erred in denying motion for mistrial on basis of United States attorney's remark from which jury may have concluded that coconspirator had been under pressure to testify truthfully; and that business records rule had not been erroneously applied.

Affirmed.

West Headnotes (6)

[1] **Criminal Law**

🔑 **Materiality of Evidence in Prosecution for Other Crimes in General**

110 Criminal Law

110XIX Continuance

110k588 Grounds for Continuance

110k595 Competency or Materiality of Expected Evidence

110k595(4) Materiality of Evidence in Prosecution for Other Crimes in General

In prosecution for conspiracy to distribute cocaine, wherein defendant contended that for two years he had been engaged in experimentation on recovery of cocaine from horses, defendant failed to show that manifest injustice resulted or that his ability to defend

himself had been substantially impaired by denial of continuances, amounting to exclusion, because of lack of preparation time, of expert testimony concerning verifying experiments, where verifying experiments would not have shown that experiments were actually performed by defendant or that amount of cocaine recorded as used by him was actually used. 18 U.S.C.A. § 2; Comprehensive Drug Abuse Prevention and Control Act of 1970, §§ 401, 406, 21 U.S.C.A. §§ 841, 846.

4 Cases that cite this headnote

[2]

Criminal Law

🔑 **Grounds of Admissibility in General**

110 Criminal Law

110XVII Evidence

110XVII(O) Acts and Declarations of
Conspirators and Codefendants

110k422 Grounds of Admissibility in General

110k422(1) In General

Previous acts of coconspirator may be admissible against a defendant once a prima facie case of conspiracy is proved and previous acts show nature and objectives of the conspiracy.

3 Cases that cite this headnote

[3]

Criminal Law

🔑 **Grounds of Admissibility in General**

110 Criminal Law

110XVII Evidence

110XVII(O) Acts and Declarations of
Conspirators and Codefendants

110k422 Grounds of Admissibility in General

110k422(1) In General

Where government sought to prove a continuing association among conspirators involving a number of illegal drug transactions, testimony of government witness who was named as coconspirator, but not as defendant, and who indicated that he had met one of codefendants to pick up cocaine some eight months before alleged beginning date of conspiracy and 17 months before date of first substantive charge was admissible. 18 U.S.C.A. § 2; Comprehensive Drug Abuse Prevention and

Control Act of 1970 §§ 401, 406, 21 U.S.C.A. §§ 841, 846.

3 Cases that cite this headnote

[4] **Criminal Law**

🔑 Instructions on Particular Points

110 Criminal Law

110XXIV Review

110XXIV(Q) Harmless and Reversible Error

110k1173 Failure or Refusal to Give Instructions

110k1173.2 Instructions on Particular Points

110k1173.2(1) In General

Where defendant received identical, concurrent sentences on charge of conspiracy to distribute cocaine and charge of aiding and abetting in distribution of cocaine hydrochloride, defendant was not entitled to reversal on basis that trial judge had not given an appropriate limiting instruction as to aiding and abetting, in absence of showing of prejudice in the alleged error or showing that adverse collateral legal consequences might flow from failure to rule on the allegation. Comprehensive Drug Abuse Prevention and Control Act of 1970, §§ 401, 406, 21 U.S.C.A. §§ 841, 846; 18 U.S.C.A. § 2.

4 Cases that cite this headnote

[5] **Criminal Law**

🔑 Particular Statements, Comments, and Arguments

110 Criminal Law

110XXIV Review

110XXIV(Q) Harmless and Reversible Error

110k1171 Arguments and Conduct of Counsel

110k1171.1 In General

110k1171.1(2) Statements as to Facts, Comments, and Arguments

110k1171.1(3) Particular Statements, Comments, and Arguments

Assuming that jury may have concluded, as result of remarks of United States attorney, that coconspirator, who was not indicted, was under pressure to testify truthfully in order to avoid prosecution and thus tended to give his testimony additional weight, denial of motion for mistrial on ground of extreme prejudice was not reversible error.

Cases that cite this headnote

[6] **Criminal Law**

🔑 Hotel or Motel Records

110 Criminal Law

110XVII Evidence

110XVII(P) Documentary Evidence

110k431 Private Writings and Publications

110k436 Registers and Records

110k436(4) Hotel or Motel Records

(Formerly 110k436)

Lack of personal knowledge by witnesses concerning entries in certain of challenged motel records went to their weight and not their admissibility under business records rule. 28 U.S.C.A. § 1732.

2 Cases that cite this headnote

Attorneys and Law Firms

*574 Jack L. Lessenberry, Little Rock, Ark., for appellant.

Walter G. Riddick, Asst. U. S. Atty., Little Rock, Ark., for appellee.

Before CLARK, Associate Justice, Retired,* and HEANEY and BRIGHT, Circuit Judges.

* United States Supreme Court, sitting by designation.

Opinion

HEANEY, Circuit Judge.

David A. Morton, Jr., appeals from his convictions of conspiracy to distribute cocaine in violation of 21 U.S.C. §§ 841 and 846, and of aiding and abetting in the distribution of cocaine hydrochloride, on two counts, in violation of 21 U.S.C. § 841 and 18 U.S.C. § 2. He was sentenced to three years imprisonment to be followed by a three-year mandatory parole period on each count of aiding and abetting and on the conspiracy conviction, the sentences to run concurrently.

Morton urges that he is entitled to a reversal of the convictions on the following grounds:

- (1) that it was an abuse of discretion for the trial judge to deny his motions for continuance;
- (2) that the trial court erred in admitting certain testimony;
- (3) that prejudicial remarks of the Assistant United States Attorney justified the granting of a mistrial; and
- (4) that the business record rule was erroneously applied.

MOTIONS FOR CONTINUANCE

Morton was arrested on January 18, 1972, at which time agents from the Bureau of Narcotics and Dangerous Drugs seized, among other things, research material and record books from the premises of Morton Consultants, Inc., a corporation of which David Morton was the chief officer. By January 26, these records had been copied by the BNDD. The originals were sealed, and most of the copies were turned over to the United States Attorney. On January 31 and March 13, Morton's attorney wrote the Assistant United States Attorney handling the case in an attempt to get the records or arrange to copy them. On February 9, Morton's attorney wrote the Regional Director of BNDD requesting information on the availability of the papers.

At Morton's April 25 arraignment, Judge J. Smith Henley in referring to the records in question, ordered the government to "make them available to [defense counsel] at his convenience any time during the daylight hours." On May 2, Morton filed a Motion for Discovery and Inspection of these records.¹ In a June 20 letter to Judge Henley, *575 showing a copy to the Assistant United States Attorney, Morton's attorney stated that the papers had still not been made available to him. Finally, on July 7, at pretrial conference, the government furnished the defendant with copies of the records. The defendant moved orally for a continuance at that time, and filed motions for a continuance on July 14 and July 24.

¹ The motion was not filed in the two cases now on appeal, but rather in two other cases which were later dismissed. We view that fact as unimportant. The subject of Morton's motion and of the previous requests was the same.

As a chemist, Morton engaged generally in consulting, laboratory and research work. For approximately two years, Morton Consultants, Inc., was engaged in experimentation on the recovery of cocaine and other drugs from horses. Morton contends that if a continuance had been granted by

the trial court, the records taken from his laboratory could have been used to aid an expert in duplicating and verifying his experiments with cocaine, thereby proving that he had not participated in the illegal distribution of the drug. The defense theory was that duplication of the experiments by an expert would verify them. The amount of cocaine purchased by Morton Consultants, Inc., could then be compared with the amount used in the experiments and the amount on hand at given points. Although there was not time before trial for verification of the experiments, there was inconclusive testimony by a government accountant attempting to make the comparisons indicated above.

[1] The appellant presents a strong factual case for reversal. The conduct of the Assistant United States Attorney was questionable; the appellant's attorney was presented with a fairly complicated case and a short time to prepare after he received records he deemed crucial to the defense; and the appellant's attorney was diligent in attempting to secure the records and in preparing for trial. As impressive as the factual record is, however, the appellant has failed to show that a manifest injustice resulted or that his ability to defend himself was substantially impaired² by what amounted to the exclusion of (because of lack of preparation time) expert testimony verifying the experiments of Morton Consultants, Inc.³ Verifying the experiments would not have shown that the experiments were actually performed or that the amount of cocaine recorded as used was actually used. The appellant's expert witness, Dr. Lloyd Seager, testified by deposition that lesser quantities of cocaine could have been used in the experiments, and, in fact, he would have used "much less." A government chemist concurred in that opinion. Notwithstanding the fact that we feel that the appellant has failed to show facts justifying a reversal, it is appropriate to express our concern over the failure of the Assistant United States Attorney to promptly make the records available to the defendant. Such conduct *could* severely prejudice a defendant under a different set of circumstances.

² See, *United States v. Collins*, 435 F.2d 698, 699 (7th Cir. 1970), cert. denied, 401 U.S. 957, 91 S.Ct. 983, 28 L.Ed.2d 241 (1971); *United States v. Ellenbogen*, 365 F.2d 982, 985 (2nd Cir. 1966), cert. denied, 386 U.S. 923, 87 S.Ct. 892, 17 L.Ed.2d 795 (1967).

³ There are some indications that it may have taken as long as a year to duplicate those experiments.

TESTIMONY OF GENE JARNAGIN

The appellant urges that it was error for the trial court to admit the testimony of government witness Gene Jarnagin. We disagree. Jarnagin was named co-conspirator, but was not a defendant. He was also serving a sentence for a crime alleged by the government to be connected with the conspiracy charge in this case, and a petition to reduce that sentence was pending before a Colorado District Court. In explaining the circumstances of a meeting with James R. Best, Jr., one of the codefendants,⁴ Jarnagin indicated that he had met Best to pick up some cocaine. This allegedly *576 took place some eight months before the charged beginning date of the conspiracy, and seventeen months before the date of the first substantive charge.

⁴ Best had been indicted in both cases and Asa L. Morton, David Morton's son, was indicted only on the conspiracy charge. The cases were consolidated for trial.

[2] [3] Previous acts of a co-conspirator may be admissible against a defendant once a prima facie case of conspiracy is proved when such previous acts show the nature and objectives of the conspiracy. See, [United States v. Santos](#), 385 F.2d 43, 45, 46 (7th Cir. 1967), cert. denied, 390 U.S. 954, 88 S.Ct. 1048, 19 L.Ed.2d 1148 (1968); [United States v. Hickey](#), 360 F.2d 127, 140 (7th Cir.), cert. denied, 385 U.S. 928, 87 S.Ct. 284, 17 L.Ed.2d 210 (1966). That standard is applicable here because the government sought to prove a continuing association among the conspirators involving a number of illegal drug transactions.

[4] The appellant argues further that even though the testimony may have been admissible in the conspiracy case, it was not relevant to the aiding and abetting case unless it was to show a "course of conduct, intent and the like." In addition, he argues that since the trial judge did not give an appropriate limiting instruction as to the aiding and abetting case, reversal is required. Again, we disagree. "The law is settled that reversal is not required if the conviction underlying any one of several concurrent sentences is valid and alone supports the sentence and judgment. * * *". [Kilcrease v. United States](#), 457 F.2d 1328, 1331 (8th Cir. 1972) (Citations omitted.). Accord, [United States v. Irby](#), 480 F.2d 1101 at 1102 (8th Cir. 1973). There is no reason not to apply that rule in this case. We perceive no prejudice in the alleged error, [Benton v. Maryland](#), 395 U.S. 784, 89 S. Ct. 2056, 23 L.Ed.2d 707 (1969), and there has been no showing that " * * * adverse collateral legal consequences might flow from a failure to rule on [this] allegation. * * *". [Kauffmann v. United States](#), 414 F.2d 1022, 1025 (8th Cir. 1969), cert. denied, 397 U.S. 962, 90 S.Ct. 995, 25 L.Ed.2d 254 (1970).

REMARKS OF ASSISTANT U. S. ATTORNEY

On direct examination of government witness, Guy Preston Biggs, another co-conspirator who was not indicted, the record reflects the following:

"MR. CARPENTER: If the Court please, I represent Mr. Biggs.

"THE COURT: Let the record show that Mr. Claude Carpenter, who represents Mr. Biggs, as an attorney, asks to be heard.

"MR. CARPENTER: At this time, if the Court please, since Mr. Biggs has been named as a co-conspirator but not made a co-defendant, there is a possibility that some other charges will be filed against him arising out of this series of events. With that in mind, I am asking the Court to allow us to take the Fifth Amendment at this time.

"MR. RIDDICK: If the Court please, for the purpose of completing the record, I can state that the United States attorney's office has no intention of further prosecuting this man so long as he either takes the Fifth Amendment or tells the truth, but I do not have any authority to move the Court for statutory grant of immunity.

"MR. CARPENTER: Do I understand, Mr. Riddick, you say if Mr. Biggs proceeds to testify and tells the truth, that he has the authority from this office, this U. S. District Attorney's office, to state in open court here that they will not file any additional charges against Mr. Biggs arising out of this series of incidents? Is that my understanding?

"THE COURT: That's the way I understand, Mr. Riddick.

"MR. RIDDICK: I have no authority to speak for anybody except the present United States Attorney's office. We have no intent to proceed further against him.

"MR. CARPENTER: How much longer does his term run?

*577 "MR. RIDDICK: I have not the foggiest notion—about three years I think but I'm not sure. Of course, he might be out by tonight."

The defendant then lodged an objection and moved for a mistrial. Carpenter conferred with his client and withdrew the request to invoke the Fifth Amendment. The trial court denied the motion for a mistrial, and the Assistant United States Attorney resumed direct examination of Biggs the next day.

The appellant contends that it was error for the trial judge to deny the motion for a mistrial. He argues that the comment of the Assistant United States Attorney was extremely prejudicial in that he conditioned further criminal prosecution of Biggs on the truthfulness of his testimony. That bargain in open court, the appellant argues, implied that the United States Attorney knew what the truth was and effectively “raised” the credibility of the witness.

We are first of all convinced that this incident was not the result of a planned strategy by the Assistant United States Attorney. It was triggered by an attorney's effort to protect his client in open court when it would have been more appropriate to approach the bench and raise the issue out of the presence of the jury.

[5] The testimony of Biggs was, in fact, adverse to the defendant, and the jury may have concluded that he was under pressure to testify truthfully and, thus, tended to give that testimony additional weight. On the other hand, the jury may have concluded that Biggs was under pressure to say what

the government wanted to hear; and as a result, viewed his testimony with more suspicion than it would have had the incident not occurred. Assuming, however, the validity of the first proposition, we do not view the trial court's denial of the motion for a mistrial as reversible error.

BUSINESS RECORDS RULE

[6] The appellant's contention that records introduced through the testimony of several witnesses did not meet the requirements of [28 U.S.C. § 1732](#) is without merit. Lack of personal knowledge by the witnesses concerning entries in certain of the challenged motel records goes to their weight and not their admissibility. [United States v. Bass, Jr., et al., 472 F.2d 207 at 213 \(8th Cir. 1973\)](#).

The government's motion for an order withdrawing this Court's appointment of counsel and refund of \$1,744.40 paid the court reporter for an original and one copy of the transcript of the District Court proceedings is granted.

Affirmed.

All Citations

483 F.2d 573

544 F.2d 982

United States Court of Appeals,
Eighth Circuit.

UNITED STATES of America, Appellee,

v.

Kenneth Wayne PAGE, Appellant.

No. 76-1612. | Submitted Oct.
13, 1976. | Decided Nov. 23, 1976.

Defendant was convicted in the United States District Court for the Southern District of Iowa, William C. Stuart, J., of interstate transportation of a stolen motor vehicle and he appealed. The Court of Appeals, Stephenson, Circuit Judge, held that a preindictment delay of slightly more than one year because of the Government's inability to locate the victim of the crime was not unreasonable or prejudicial; that a four and one-half-month delay in bringing defendant to trial following indictment did not deny defendant's right to speedy trial; and that a lease agreement involving the stolen automobile was properly admitted under the business record exception to the hearsay rule.

Affirmed.

West Headnotes (8)

[1] Criminal Law **Speedy Trial**

110 Criminal Law

110XXIV Review

110XXIV(O) Questions of Fact and Findings

110k1158.18 Speedy Trial

(Formerly 110k1158(1))

Trial court's finding as to existence and extent of prejudice from preindictment delay must stand unless clearly erroneous. [U.S.C.A.Const. Amend. 5](#).

[1 Cases that cite this headnote](#)**[2] Indictment and Information** **Term of Court or Time of Finding**

210 Indictment and Information

210II Finding and Filing of Indictment or Presentment

210k7 Term of Court or Time of Finding

(Formerly 110k573)

Where preindictment delay of slightly more than one year was due to Government's inability to locate victim of automobile theft and only prejudice asserted by defendant was his inability to locate witness who allegedly could have testified concerning conversation between defendant and victim which would contradict one particular aspect of victim's testimony, preindictment delay was neither unreasonable nor prejudicial. [U.S.C.A.Const. Amend. 5](#).

[3 Cases that cite this headnote](#)**[3] Criminal Law** **Prejudice or Absence of Prejudice**

110 Criminal Law

110XVIII Time of Trial

110XVIII(B) Decisions Subsequent to 1966

110k577.16 Relief; Dismissal or Discharge

110k577.16(4) Prejudice or Absence of Prejudice

(Formerly 110k573)

Existence of prejudice from preindictment delay must be shown by more than unavailability of any one witness. [U.S.C.A.Const. Amend. 5](#).

[Cases that cite this headnote](#)**[4] Criminal Law** **Requisites and Sufficiency of Arraignment**

110 Criminal Law

110XIV Arraignment

110k264 Requisites and Sufficiency of

Arraignment

(Formerly 110k573)

Where four and one-half-month period between indictment and arraignment was due to negligent lack of communication between federal authorities in different states, defendant did not assert right to speedy trial until only a few days before Government acted to initiate trial proceedings, defendant was incarcerated on another charge during delay, and defendant demonstrated no prejudice from delay, defendant was not denied right to speedy trial. [U.S.C.A.Const. Amend. 5](#).

Cases that cite this headnote

[5] **Criminal Law**

🔑 **Particular Records**

110 Criminal Law

110XVII Evidence

110XVII(P) Documentary Evidence

110k431 Private Writings and Publications

110k436 Registers and Records

110k436(3) Particular Records

(Formerly 110k436)

In prosecution for interstate transportation of stolen motor vehicle, trial court did not err in admitting into evidence lease agreement involving stolen automobile, under business records exception to hearsay rule where lessor's custodian of records testified that rental contract was official business record, record was made at time of transaction, and rental agreement was standard form regularly executed for every rental customer. [Federal Rules of Evidence, rule 803\(6\)](#), 28 U.S.C.A.

4 Cases that cite this headnote

[6] **Criminal Law**

🔑 **Business Records; Books of Entry**

110 Criminal Law

110XVII Evidence

110XVII(P) Documentary Evidence

110k444 Authentication and Foundation

110k444.9 Business Records; Books of Entry

(Formerly 110k444)

In admitting exhibit into evidence pursuant to business record exception to hearsay rule, it was unnecessary that identification witness have personal knowledge of actual creation of document. [Federal Rules of Evidence, rule 803\(6\)](#), 28 U.S.C.A.

8 Cases that cite this headnote

[7] **Criminal Law**

🔑 **Weight and Sufficiency of Evidence in General**

110 Criminal Law

110XX Trial

110XX(F) Province of Court and Jury in General

110k733 Questions of Law or of Fact

110k741 Weight and Sufficiency of Evidence in General

110k741(1) In General

Attack upon probative sufficiency of evidence relates not to admissibility but to weight of evidence and is matter for trier of fact to resolve.

2 Cases that cite this headnote

[8] **Criminal Law**

🔑 **Private Writings and Publications**

110 Criminal Law

110XVII Evidence

110XVII(P) Documentary Evidence

110k431 Private Writings and Publications

110k432 In General

Trial court has broad discretion in determining admissibility of documents such as business records. [Federal Rules of Evidence, rule 803\(6\)](#), 28 U.S.C.A.

7 Cases that cite this headnote

Attorneys and Law Firms

*983 John R. Hearn, Des Moines, Iowa, for appellant.

John M. Fitzgibbons, Asst. U. S. Atty., Des Moines, Iowa, for appellee; Allen L. Donielson, U. S. Atty., Des Moines, Iowa, on brief.

Before LAY, ROSS and STEPHENSON, Circuit Judges.

Opinion

STEPHENSON, Circuit Judge.

Kenneth Wayne Page appeals from his conviction following a jury trial for interstate transportation of a stolen motor vehicle. In this appeal appellant contends that the district court¹ committed error in failing to dismiss the indictment for pre-indictment delay and lack of speedy trial and also in admitting into evidence a lease agreement involving the stolen automobile. For the reasons stated below, we affirm.

¹ The Honorable William C. Stuart, United States District Judge for the Southern District of Iowa.

Appellant Page was charged in a one-count indictment with transporting in interstate commerce a stolen motor vehicle from Mississippi to Iowa in violation of 18 U.S.C. s 2312. The offense was alleged to have occurred on or about December 8, 1974, at which time Page was arrested in Story County, Iowa, in possession of the stolen automobile by a local law enforcement official. Appellant admitted to one official that he had stolen the auto at knifepoint in Mississippi, and to another official that he knew the auto was stolen. Thereafter, appellant signed a waiver of extradition and was returned to Mississippi where he was imprisoned on unrelated charges. The government contends that its active field investigation continued until September 26, 1975, because the victim of the alleged offense could not be located previously. The *984 indictment was filed on December 18, 1975. At the time the indictment was returned, Page was incarcerated in the Mississippi State Penitentiary on a state burglary charge. On April 22, 1976, while still in prison, Page filed a pro se motion to dismiss the federal indictment on the ground that he was denied his right to a speedy trial in violation of the Speedy Trial Act of 1974. On April 26, 1976, the government requested from the district court an order that would bring Page to the Southern District of Iowa from prison in Mississippi. Page was arraigned on May 3, 1976, and he entered a plea of not guilty to the instant charge.

The trial before a jury began on June 21, 1976. The evidence adduced at trial revealed that on the evening of November 22, 1974, Burl D. Coffelt was drinking in a cocktail lounge in Gulfport, Mississippi, when he was introduced to Kenneth Wayne Page. They proceeded to play pool and visit various drinking establishments in the Gulfport area. According to Coffelt, both men entered his rented 1975 four-door Ford automobile at some time later in the evening. Coffelt testified that Page then placed a gun to Coffelt's head, gave instructions to drive north out of Gulfport toward a desolate area of rural Mississippi, and ultimately stole Coffelt's cash, personal valuables, and automobile.

On December 8, 1974, a deputy marshal in Huxley, Iowa, came into contact with Page in a parking lot where Page was observed driving a 1975 green Ford automobile with Mississippi license plates. As a result of a license check on the vehicle, Page was arrested. Following his arrest, Page revealed to local law enforcement officials that he had stolen the car in Mississippi. Based on this and other evidence, the jury returned a verdict of guilty, and the trial court sentenced Page to five years imprisonment.

I.

We consider initially appellant's contention that the district court erred in refusing to dismiss the charge against Page because of pre-indictment delay between December 8, 1974, the date of arrest, and December 18, 1975, the date of indictment. The relevant delay in this case is slightly more than 12 months. The district court conducted pretrial evidential hearings and specifically found that the governmental pre-indictment delay was reasonable, as justified by a proper effort to locate a key witness. The trial court further found that the defendant had not made an adequate showing of prejudice.

[1] In *United States v. Marion*, 404 U.S. 307, 324-26, 92 S.Ct. 455, 30 L.Ed.2d 468 (1971), the Supreme Court recognized that governmental pre-prosecution delay may violate a defendant's right to due process under the Fifth Amendment. Under *Marion* the determination of improper delay involves a process of balancing the reasonableness of the delay against any resultant prejudice to the defendant. *United States v. Quinn*, 540 F.2d 357, 360-62 (8th Cir. 1976); *United States v. Jackson*, 504 F.2d 337, 339 (8th Cir. 1974), cert. denied, 420 U.S. 964, 95 S.Ct. 1356, 43 L.Ed.2d 442 (1975). The test for determining prejudicial impact is whether the delay "has impaired the defendant's ability to defend himself." *United States v. Golden*, 436 F.2d 941, 943 (8th Cir.), cert. denied, 404 U.S. 910, 92 S.Ct. 236, 30 L.Ed.2d 183 (1971). The trial court's finding as to the existence and extent of prejudice must stand unless clearly erroneous. *United States v. Quinn*, supra, 540 F.2d at 361.

[2] [3] After a thorough review of the record, we conclude that the defendant has failed to demonstrate a showing of prejudice sufficient to require dismissal of the indictment. Appellant's only claim of prejudice is that he was unable to locate a female bartender who allegedly worked at the cocktail lounge where Burl D. Coffelt first met Kenneth Page. Appellant claims that the witness could have testified concerning a conversation between Page and Coffelt during which Coffelt told Page that someone had stolen Coffelt's gun. In contrast, Coffelt testified at trial that Page used this same gun to commit the robbery. *985 The district court, after considering Page's testimony about this apparent witness, stated:

I find that the Defendant has not made a sufficient showing of prejudice. First of all, there is some question as to whether or not the witness exists. If she

does exist, the record is far from clear as to what her testimony would be if she could testify, and what it would be. And it would be speculative, at the best, as to what the evidence might be. Fourthly, if she did testify, as indicated during the hearing, its relevance is at least peripheral as far as the particular charges concerned. And in my opinion, balancing the reasonableness of delay with the resulting prejudice, it clearly weighs in favor of the Government.

The district court's finding with respect to the absence of prejudice is supported by the evidence. For example, Page testified that he did not know the bartender's name; she was not a good friend of his; and he had talked with her on only a few occasions. Moreover, it is clear that the existence of prejudice must be shown by more than the unavailability of any witness. See *United States v. Quinn*, *supra*, 540 F.2d at 361-62. Instead, the missing witness must be one who could have supplied material evidence for the defense. See *United States v. Naftalin*, 534 F.2d 770, 773 (8th Cir. 1976); *United States v. Lovasco*, 532 F.2d 59, 62 (8th Cir.), cert. granted, -- U.S. --, 97 S.Ct. 233, 50 L.Ed.2d 164 (1976). There is no intimation in the instant case that the "unavailable witness" could have supplied any information which might constitute a defense or rebut any necessary element of the offense. See 18 U.S.C. s 2312.

In addition, the record reveals substantial evidence indicating that the government's delay of prosecution was reasonable. The 12-month delay in the instant case was the result of unsuccessful attempts by the FBI to locate the victim and key witness, Burl Coffelt, whose whereabouts were previously unknown. FBI Agent David Nunn testified concerning the extensive, although relatively unsuccessful, efforts made to locate Coffelt, who eventually was found and interviewed by the FBI on September 26, 1975. The facts underlying the instant case could have involved a number of serious crimes aside from the Dyer Act, 18 U.S.C. s 2312, such as assault and kidnapping. On the other hand, Coffelt's story, which inter alia indicated that there had been substantial drinking, was inherently suspect and it was prudent, if not compulsory, prosecutorial conduct for the government to delay the indictment until Coffelt could be located and interviewed. See *United States v. Emory*, 468 F.2d 1017, 1019 (8th Cir. 1972). In summary, the record does not

disclose either unreasonable or prejudicial pre-indictment delay.

II.

Appellant also contends that the trial court erred in failing to dismiss the indictment because of the lack of a speedy trial. Page experienced approximately a four and one-half month delay between his indictment on December 18, 1975, and his arraignment on May 3, 1976. The trial court found that the delay was reasonable under the circumstances and that, in any event, defendant had not made a sufficient showing of prejudice.

The Supreme Court in *Barker v. Wingo*, 407 U.S. 514, 530-34, 92 S.Ct. 2182, 33 L.Ed.2d 101 (1972), recognized that a defendant's Sixth Amendment right to a speedy trial must be determined on an ad hoc balancing basis after consideration of such factors as the length of delay, the reason for delay, the defendant's assertion of his right, and prejudice to the defendant. See, e. g., *United States v. Weber*, 479 F.2d 331, 332 (8th Cir. 1973).

[4] When the balancing test set out in *Barker* is applied to the facts in the instant case, we are convinced that appellant was not deprived of the right to a speedy trial. First, the four and one-half month period between indictment and arraignment, while undesirable, nonetheless was not an unusually long delay. This court has held on several occasions that delays longer than four and one-half months did not constitute *986 denial of a speedy trial. See *United States v. Rucker*, 496 F.2d 1241, 1243 (8th Cir.), cert. denied, 419 U.S. 965, 95 S.Ct. 227, 42 L.Ed.2d 181 (1974); *United States v. Phillips*, 482 F.2d 191, 195 (8th Cir. 1973). Second, it is clear that the reason for the delay was not a deliberate attempt to hamper the defense, but rather resulted from a mere lack of communication between the United States Marshal's office in Mississippi and the United States Attorney's office in the Southern District of Iowa. On December 18, 1975, the indictment was returned against Page and an arrest warrant issued. On December 29, 1975, a detainer was placed by the United States Marshal in Mississippi against Page who was incarcerated in the Mississippi State Penitentiary. However, the United States Attorney's office in Iowa was not advised of these circumstances and the detainer until April 22, 1976, when Page filed his pro se motion to dismiss the indictment. Subsequent to the filing of this motion, the government acted promptly to bring the defendant to Iowa for trial. The reason for the delay constituted mere negligence, at most, and should not be weighed heavily against the government.

See *Barker v. Wingo*, *supra*, 407 U.S. at 531, 92 S.Ct. 2182. Third, the extent of assertion of the speedy trial right is not a factor that works to the advantage of either side in this case. Appellant filed his motion to dismiss on April 22, 1976, four months following indictment, and the government acted only a few days later, on April 26, 1976, to initiate trial proceedings. See *United States v. Baumgarten*, 517 F.2d 1020, 1024 (8th Cir. 1975). Finally and most significantly in this case, it does not appear that the delay resulted in any actual prejudice to appellant. In this connection, the Supreme Court has identified as the purpose of the speedy trial right:

- (i) to prevent oppressive pretrial incarceration; (ii) to minimize anxiety and concern of the accused; and (iii) to limit the possibility that the defense will be impaired.

Barker v. Wingo, *supra*, 407 U.S. at 532, 92 S.Ct. at 2193 (footnote omitted). Appellant was already in the Mississippi penitentiary on a state burglary charge at the time the federal indictment was returned, and any augmentation of his pretrial incarceration was minimal if not nonexistent.² The record does not contain evidence indicating anxiety or concern. See *United States v. Skillman*, 442 F.2d 542, 557 (8th Cir.), cert. denied, 404 U.S. 833, 92 S.Ct. 82, 30 L.Ed.2d 63 (1971). Furthermore, as already discussed, failure to expedite appellant's trial could not have impaired the defense in any material manner. See Part I, *supra*.³

² Page claims that while incarcerated in the Mississippi penitentiary he was further restricted and lost privileges as a consequence of the federal detainer placed against him. This claim is speculative and, in any event, does not suggest cognizable prejudice.

³ Parenthetically, appellant asserts that the governmental delay between his indictment and trial was violative of the local plan governing the disposition of criminal cases in the Southern District of Iowa. This plan provides that an individual should be arraigned within 10 days if in custody, or within 20 days if not in custody, from the filing of the charge. The plan also imposes on the United States Attorney the duty to bring to trial promptly a prisoner serving a term of imprisonment in another jurisdiction. We do not condone the governmental failure in the instant case to comply with these rules. Nonetheless, the local rules do not compel dismissal of prosecution for noncompliance with the time requirements, but merely empower the trial

court to do so. For the reasons discussed above, we conclude that it was not improper for the district court to deny dismissal in this instance.

III.

[5] Finally, appellant asserts that the trial court erred in admitting into evidence a lease agreement involving the stolen automobile. In October 1974 Burl Coffelt entered into a contract to rent a green 1975 four-door Ford automobile from Bubba Oustalet Ford in Gulfport, Mississippi. This lease agreement was identified and described at trial by Steven Byrne, the business manager and custodian of the records of Bubba Oustalet Ford. Byrne testified that he was the custodian of the business records of Oustalet Ford; the car rental contract was an official business record; the record *987 was made at the time of the transaction; and the rental agreement was a standard form regularly executed for every rental customer. The exhibit was properly admitted in evidence pursuant to the business record exception to the hearsay rule. See *Fed.R.Evid.* 803(6).

[6] Appellant's objection to the admission into evidence of the lease agreement is based, in part, on the contention that there is no evidence showing that Byrne had any personal knowledge as to the circumstances involved in the preparation of the agreement. We disagree. In admitting an exhibit into evidence pursuant to *Fed.R.Evid.* 803(6), it is unnecessary that the identification witness have personal knowledge of the actual creation of the document. See *United States v. Pfeiffer*, 539 F.2d 668, 670-71 (8th Cir. 1976); *United States v. Gross*, 416 F.2d 1205, 1213-14 (8th Cir. 1969), cert. denied, 397 U.S. 1013, 90 S.Ct. 1245, 25 L.Ed.2d 427 (1970); *Woodring v. United States*, 376 F.2d 619, 622 (10th Cir.), cert. denied, 389 U.S. 885, 88 S.Ct. 153, 19 L.Ed.2d 182 (1967). The absence or extent of personal knowledge regarding preparation of a business record affects the weight rather than the admissibility of the evidence. See *United States v. Gross*, *supra*, 416 F.2d at 1213-14.

Appellant also asserts that the rental agreement should not have been adduced in evidence because the circumstances underlying preparation of the document allegedly indicate a lack of trustworthiness. Specifically, appellant emphasizes that the document contains certain interlineations with respect to the automobile vehicle identification number and license number. In appellant's view, the trustworthiness of these identification numbers was crucial in proving the identity of

the stolen vehicle, particularly with respect to the interstate transportation element of the offense, 18 U.S.C. s 2312.

[7] Once again, we must reject appellant's contention for the reason that an attack upon the probative sufficiency of evidence relates not to admissibility but to the weight of the evidence and is a matter for the trier of fact to resolve. Cf. *United States v. Gerhart*, 538 F.2d 807, 809 (8th Cir. 1976); *Peter Kiewit Sons Co. v. Summit Constr. Co.*, 422 F.2d 242, 266-68 (8th Cir. 1969). Both the vehicle identification number and the license number, although somewhat obscured by interlineations at one place on the document, were written clearly on another space in the upper right-hand corner of the form. In addition, there is no evidence in the record intimating a motive to falsify by the preparer of the agreement.

[8] The trial court has broad discretion in determining the admissibility of documents such as business records. See e. g., *United States v. Fendley*, 522 F.2d 181, 184 (5th Cir. 1975). The district court in the instant case carefully

evaluated the trustworthiness of the rental agreement and, in fact, excised a portion of the form which could have been a prejudicial reference to the theft of the automobile. The court's determination of trustworthiness and admission of the document were entirely proper. In any event, any error in the admission of the exhibit would have been harmless. Mr. Coffelt's testimony indicated that his rented green four-door 1975 Ford automobile with Mississippi license number was stolen at gunpoint by Kenneth Page. The record reveals that Page was arrested in Iowa in possession of a green four-door 1975 Ford automobile with a Mississippi license number. Furthermore, after twice being advised of his Miranda rights, Page stated that he had stolen the car in Mississippi.

Affirmed.

All Citations

544 F.2d 982, 1 Fed. R. Evid. Serv. 466

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Disagreed With by [Vincent v. Louis Marx & Co., Inc.](#), 1st Cir.(Mass.),
May 3, 1989

790 F.2d 552

United States Court of Appeals,
Sixth Circuit.

Larry R. WILLIAMS, Plaintiff-Appellee,
v.

UNION CARBIDE CORPORATION,
Defendant-Appellant.

No. 84-6094. | Argued Feb. 4, 1986.
| Decided May 16, 1986. | Rehearing
and Rehearing En Banc Denied July 2, 1986.

Worker employed by contractor brought action against operators of chemical plant alleging injuries resulting from exposure to chemicals while working at the site. The United States District Court for the Western District of Tennessee, Robert M. McRae, Jr., Chief Judge, entered judgment in favor of worker, awarding compensatory and punitive damages, and plant operator appealed. The Court of Appeals, Churchill, District Judge, sitting by designation, held that: (1) evidence supported finding of negligent exposure to toxic chemicals; (2) worker's allegations in prior lawsuit which claimed a different cause for injuries were admissible for impeachment purposes; and (3) under Arkansas law, evidence was not sufficient to support punitive damage award.

Reversed and remanded.

West Headnotes (8)

[1] **Negligence**

**Liabilities Relating to Construction,
Demolition and Repair**

272 Negligence

272XVIII Actions

272XVIII(C) Evidence

272XVIII(C)5 Weight and Sufficiency

272k1667 Premises Liability

272k1672 Liabilities Relating to Construction,
Demolition and Repair

(Formerly 272k134(1))

Evidence was sufficient to support finding that worker employed by contractor at chemical plant was exposed to toxic chemicals through plant operator's negligence; evidence included worker's testimony to direct exposure, medical testimony and evidence of carelessness on the part of plant employees and inoperative safety devices.

Cases that cite this headnote

[2] **Evidence**

Fraud or Other Wrongdoing

157 Evidence

157IV Admissibility in General

157IV(E) Competency

157k155 Evidence Admissible by Reason of
Admission of Similar Evidence of Adverse Party

157k155(7) Fraud or Other Wrongdoing

Prior criminal convictions of former worker at chemical plant bringing action against plant operator for damages resulting from alleged exposure to chemicals were not rendered admissible on theory that worker had presented evidence of a "personality change" where evidence, which inartfully referred to a "change in personality," actually described physiological changes and nothing was brought forward to indicate that moral character or honesty had been affected. [Fed.Rules Evid.Rules 403, 613, 28 U.S.C.A.](#)

1 Cases that cite this headnote

[3] **Evidence**

Attorneys

157 Evidence

157VII Admissions

157VII(D) By Agents or Other Representatives

157k246 Attorneys

An opening statement made by an attorney is admissible in a later lawsuit against his client.

22 Cases that cite this headnote

[4] **Evidence**

Mode of Making and Form in General

157 Evidence

157VII Admissions

[157VII\(A\)](#) Nature, Form, and Incidents in General

[157k205](#) Mode of Making and Form in General

[157k205\(1\)](#) In General

An administrative claim filed by an attorney may also be an admission of his client.

[Cases that cite this headnote](#)

[5] Evidence

 [Admissibility in Subsequent Proceedings in General](#)

[157](#) Evidence

[157VII](#) Admissions

[157VII\(A\)](#) Nature, Form, and Incidents in General

[157k206](#) Judicial Admissions

[157k208](#) Pleadings

[157k208\(2\)](#) Admissibility in Subsequent Proceedings in General

Pleadings in a prior case may be used as evidentiary admissions.

[17 Cases that cite this headnote](#)

[6] Evidence

 [Attorneys](#)

[157](#) Evidence

[157VII](#) Admissions

[157VII\(D\)](#) By Agents or Other Representatives

[157k246](#) Attorneys

Claims made by worker's attorney in prior suit which claimed damages for an acetylene explosion were admissible for impeachment purposes in subsequent action against plant operator claiming that injuries were due to exposure to toxic chemicals where there was no question that attorney was fully authorized to act and speak for worker, although evidence of explosion itself was introduced; worker's belief that explosion caused his injuries was probative not only to support aggravating cause theory but to impeach his accusation. [Fed.Rules Evid.Rules 403, 613, 28 U.S.C.A.](#)

[5 Cases that cite this headnote](#)

[7] Damages

 [Punitive Damages](#)

[115](#) Damages

[115IX](#) Evidence

[115k183](#) Weight and Sufficiency

[115k189.5](#) Punitive Damages

(Formerly 115k184)

Under Arkansas law, evidence was not sufficient to support award of punitive damages against operator of chemical plant for injuries suffered by worker employed by contractor at the plant when evidence was only sufficient to show negligence, absent anything justifying inference of malice. AMI 2217.

[1 Cases that cite this headnote](#)

[8] Federal Civil Procedure

 [Instructions](#)

[170A](#) Federal Civil Procedure

[170AXV](#) Trial

[170AXV\(G\)](#) Instructions

[170Ak2171](#) In General

Better practice for federal courts in diversity cases is to use state-approved instructions.

[4 Cases that cite this headnote](#)

Attorneys and Law Firms

***553** Thomas F. Johnston (argued), Randall D. Noel, Armstrong, Allen, Braden, Goodman, McBride and Prewitt, Memphis, Tenn., for defendant-appellant.

J. Courtney Wilson, Stephen B. Murray, Murray, Murray, Ellis, Braden, Landr, New Orleans, La., Julian R. Murray, Jr. (argued), for plaintiff-appellee.

Before MARTIN and KRUPANSKY, Circuit Judges, and CHURCHILL, District Judge. *

* Honorable James P. Churchill, United States District Judge for the Eastern District of Michigan, sitting by designation.

Opinion

CHURCHILL, District Judge.

Defendant Union Carbide appeals from the decision of the district court affirming the jury verdict for the Plaintiff,

Larry R. Williams. Williams claimed to have been injured through exposure to toxic chemicals while working at Union Carbide's Osceola, Arkansas plant in 1976. The matter was tried under Arkansas law and the jury awarded Williams \$80,000 in compensatory damages and \$100,000 in punitive damages. Union Carbide's subsequent motion for judgment notwithstanding the verdict and for new trial was denied and this appeal followed.

Four issues are raised on appeal. First, Union Carbide urges that insufficient evidence exists to support the jury's finding that Williams was exposed to toxic chemicals through its negligence. Second, Union Carbide claims that the district court unduly restricted its cross-examination of plaintiff and plaintiff's witnesses. Third, it is argued that there was insufficient evidence to support the jury's award of punitive damages. Fourth, the court's charge on punitive damages is claimed to be contrary to Arkansas law.

Plaintiff Williams began work at defendant's facility in March of 1976. He was employed by an electrical contractor engaged in the plant's construction. Plant operations did not begin until October of 1976. Williams remained at the facility for five weeks while it was operating before he was discharged for reasons unrelated to this lawsuit. Plaintiff testified that during this period, the plant emitted an odor like that of rotten eggs. He stated that he was assigned by his employer to work in several areas where the odor was especially severe. After working some time on the job, Williams claimed that his eyes would burn and he would become nauseous. He testified *554 that he had to lay down in spilled chemicals in the "barratte room" in order to do the work assigned him by his employer. Williams further testified that as he left the "barratte" room, a Union Carbide official confronted him and warned him to stay out of the room. Williams also claimed that he came into contact with the chemicals in the plant's "regeneration pit". He suffered nausea and headaches and was forced to leave his work periodically to get fresh air. He believed that Union Carbide officials observed him working in the pit.

Plaintiff introduced evidence that several of the sensors in the plant, which are designed to sound an alarm should chemical levels become dangerous, were inoperative. It was established that several Union Carbide employees, admittedly out of laziness and apathy, would not actually conduct all of the "fume checks" that they were assigned. Rather, they would take some results then pencil in fictitious results for those tests remaining. Plaintiff's expert witness testified that

Union Carbide's safety engineer was unqualified because he was a recent college graduate with no similar plant experience. Finally, medical testimony was presented to show that plaintiff had suffered from carbon disulfide poisoning. Carbon disulfide and hydrogen sulfide were chemical by-products of the plant operation.

Defendant contradicted the plaintiff on several points, including the color of the chemicals and the odors that were produced. The plant's safety systems were fully explained and described as being the "state of the art", but the evidence of falsified fume checks was not rebutted. Expert testimony was elicited to show that conditions were not such that high fume concentrations would be possible and medical testimony was offered to rebut plaintiff's claim of exposure. The only doctor to have treated the plaintiff while he was working at the plant reported that he was only suffering from a common rash at the time that he sought treatment.

Defendant sought to impeach the plaintiff in two ways which were not permitted by the district court. First, Union Carbide attempted to examine the witnesses concerning several theft offenses allegedly committed by the plaintiff before he came to work at the Osceola facility. Second, the defendant sought to use the allegations contained in the complaint of an earlier lawsuit which had been filed by the plaintiff. The earlier suit appeared to have claimed damages for the same injuries as alleged in this case but attributed them to an acetylene explosion. The defendant was also a contractor at the Union Carbide facility. See *Williams v. Natkin*, 508 F.Supp. 1017 (E.D.Ark.1981). Union Carbide sought to use the statements as past inconsistent statements under *Federal Rule of Evidence* 613.

I

[1] Defendant's first assignment of error is that there was not sufficient evidence to support the jury's finding that the plaintiff was exposed to toxic chemicals through its negligence. The sufficiency of the evidence in a federal diversity case is a federal procedural question. *Toth v. Yoder*, 749 F.2d 1190, 1197 (6th Cir.1984); *Pitts v. Electro-Static Finishing*, 607 F.2d 799 (8th Cir.1979). Federal law leaves the decision of whether to reject a jury's verdict to the sound discretion of the trial judge. *Toth, supra* at 1197. A trial judge cannot substitute his own judgment for that of the jury except when the jury's verdict is against the clear weight of the evidence. A jury's verdict that could have reasonably been

reached should be left undisturbed. *Bruner v. Dunaway*, 684 F.2d 422, 425 (6th Cir.1982); *TCP Industries, Inc. v. Uniroyal Inc.*, 661 F.2d 542, 546 (6th Cir.1981).

Plaintiff presented evidence on all essential elements of his claim. He testified concerning direct exposure to chemical substances which were followed by adverse physical reactions. Medical testimony was presented that plaintiff had suffered from carbon disulfide poisoning. Carelessness on the part of Union Carbide employees, as well as inoperative safety devices, was demonstrated. Defendant presented evidence *555 to the contrary and it was left for the jury to accept or reject the account of either party. The findings of negligence and proximate cause by the jury could not be disturbed without reweighing the evidence and evaluating the credibility of witnesses. For this reason, the district court did not abuse its discretion in denying the defendant's motion for a new trial.

II

Union Carbide also charges that the district court erred by restricting its cross-examination concerning the past criminal conduct and the previous lawsuit.

[2] We find no error in the restricting of defendant's cross-examination concerning the past criminal conduct. Defendant argues that the alleged bad acts, i.e., stealing cigarettes and liquor and writing bad checks, was proper to rebut the plaintiff's "personality change" claim. Union Carbide relies on the decisions of *Roshan v. Fard*, 705 F.2d 102 (4th Cir.1983) and *Dente v. Riddell, Inc.*, 664 F.2d 1 (1st Cir.1981). In *Roshan*, the fourth circuit held that where past criminal conduct is "central to an understanding of the events ..." it should be explored despite the obvious risk of unfair prejudice. 705 F.2d at 105. The court noted the distinction between proper exclusion where the criminal conduct is a collateral matter and admission where it is not. *Id.* citing *Bowden v. McKenna*, 600 F.2d 282 (1st Cir.1979). Similarly, in *Dente v. Riddell*, evidence of post accident sexual and gambling behavior was admitted to rebut the plaintiff's claim of social inactivity. 664 F.2d at 5-6. In essence, Union Carbide argues that by claiming damages for a "change in personality", Williams has made his past criminal conduct a noncollateral matter.¹ If plaintiff had in fact presented evidence of a "personality change" we might agree. However, plaintiff's evidence, despite being inartfully referred to as concerning a "change in personality", actually

described physiological changes. Headaches, sleeping habits, temperament and general health were the topics of plaintiff's evidence. Nothing was brought forward to indicate that the plaintiff's moral character or honesty had been affected by the exposure. Thus the past acts of dishonesty could not have served to rebut the claim and were indeed collateral matters. While perhaps relevant, evidence of the plaintiff's past criminal conduct had little probative value. It certainly possessed the potential for unfair prejudice. It was thus within the discretion of the trial court to exclude the evidence under Federal Rule of Evidence 403. See *All American Life and Casualty Co. v. Oceanic Trade Alliance Council International Inc.*, 756 F.2d 474, 479 (6th Cir.1985) citing *United States v. Brady*, 595 F.2d 359, 361 (6th Cir.), cert. denied, 444 U.S. 862, 100 S.Ct. 129, 62 L.Ed.2d 84 (1979).

1 Defendant discusses three specific purposes for the past criminal conduct: to cross examine the plaintiff himself, to cross examine the "before and after witnesses" and for direct examination of defendant's medical experts. All three issues depend on whether the criminal conduct was a collateral matter and are addressed together in the body of this opinion.

The trial court also prohibited the defendant from using the allegations made in plaintiff's complaint in the first lawsuit as past inconsistent statements. The court ruled that the statements could not be used because they were made by plaintiff's attorney rather than the plaintiff himself. Plaintiff's attorney had explained to the court that the first lawsuit had been filed primarily out of a concern over the running of the statute of limitations.

[3] [4] [5] [6] It is the general rule that "statements made by an attorney concerning a matter within his employment may be admissible against the party retaining the attorney." *United States v. Margiotta*, 662 F.2d 131, 142 (2nd Cir.1981), cert. denied, 461 U.S. 913, 103 S.Ct. 1891, 77 L.Ed.2d 282 (1983). An opening statement made by an attorney is admissible in a later lawsuit against his client. *United States v. McKeon*, 738 F.2d 26 (2nd Cir.1984). An administrative claim filed by an attorney may also be an admission of his client. *556 *United States v. Flores*, 628 F.2d 521 (9th Cir.1980). Pleadings in a prior case may be used as evidentiary admissions. *Contractor Utility Sales v. Certain-Teed Products Corp.*, 638 F.2d 1061, 1084 (7th Cir.1981). In this case there is no question that the plaintiff's attorney was fully authorized to act and speak for the plaintiff. The statements made in the previous lawsuit were proper for impeachment under Federal Rule of Evidence 613. *Id.*² As

party admissions, the allegations would also be available as substantive evidence under [Federal Rule of Evidence 801\(d\)\(2\)](#). The plaintiff's argument that the statements were made merely to preserve legal rights may be quite persuasive, but should have been made to the jury. *Id.* citing *Nisbet v. Van Tuyl*, 224 F.2d 66, 71 (7th Cir.1955).

2 At trial, defendant argued that the rule of *Wilson v. Scripps-Howard Broadcasting Co.*, 642 F.2d 371 (6th Cir.1981) was applicable to this case. *Wilson* involved a libel action brought by a rancher against a television station for reporting that there were starving cattle on the plaintiff's ranch. After plaintiff testified that the defendant's news report surprised him, defendant sought to use the allegations made by other persons against the plaintiff in earlier lawsuits, which alleged mistreatment of animals, to rebut the plaintiff's testimony. This court held that while the statements were hearsay and could not be used to establish the mistreatment of the animals, they could be used to impeach the claimed surprise. *Id.* at 376. *Wilson* does apply to this case insofar as defendant sought to impeach the plaintiff with his past accusations. Because the past accusations were made by the plaintiff, the case for admission is much stronger because the statements are not hearsay and have a broader use.

Although the district court excluded the prior allegations on other grounds, the plaintiff urges that they were inadmissible under [Federal Rule of Evidence 403](#) regardless of the district court's ruling. We cannot agree. Plaintiff's case relied heavily on the fact that his ailments began immediately after leaving the Union Carbide plant. This allowed the inference to be made that the exposure caused the symptoms and that any ill-effects suffered by the plaintiff were at least in some degree caused by the defendant's plant. The acetylene explosion referred to in the first lawsuit posed as a potential intervening cause. For this reason, evidence of the explosion was admitted at trial. Yet, the plaintiff's *belief* that the explosion caused his injuries is also probative, not only to support the intervening cause theory but to impeach the plaintiff's accusation against Union Carbide. Furthermore, we can see no *unfair* prejudice in the admission of the prior allegations. The hiring of an attorney and the filing of a lawsuit are generally done with considerable thought and care. Absent unauthorized conduct on the part of the attorney, there is nothing unfair about having to explain one's past lawsuits.

For these reasons, we hold that the district court erred in limiting the defendant's examination concerning the earlier lawsuit. We also believe that the error affected the substantive

rights of the parties and requires reversal. Since this holding will result in a new trial, we find it advisable to address the issues of Arkansas punitive damages which have and will be raised.

III

[7] Defendant challenges the sufficiency of the evidence supporting the jury's punitive damage award and assigns error to the court's instruction on punitive damages.

The most recent construction of Arkansas law on punitive damages is found in the Arkansas Supreme Court's decision in *Freeman v. Anderson*, 279 Ark. 282, 651 S.W.2d 450 (1983). In *Freeman*, the court ruled that punitive damages were only available when "the defendant acted wantonly or with such a conscious indifference to the consequences that malice might be inferred." *Id.* Essential to an award of punitive damages is that;

it must appear that the negligent party knew, or had reason to believe, that his act of negligence was about to inflict injury, and that he continued in his course with a conscious indifference to the consequences, from which malice may be inferred.

*557 651 S.W.2d at 452. It is well established in Arkansas that negligence, even gross negligence, does not suffice for an award of punitive damages. *Dalrymple v. Fields*, 276 Ark. 185, 633 S.W.2d 362 (1982). Negligent handling of dangerous substances such as electricity does not necessarily warrant punitive damages. *Woodruff Electrical Cooperative Corp. v. Daniel*, 472 S.W.2d 919 (Ark.1971). The elements of a punitive damage claim are;

1. negligent or intentional conduct,
2. that the defendant knew or should have known would naturally or probably result in injury,
3. which was continued in reckless disregard for the consequences, from which malice be inferred.

See Arkansas Model Instruction 2217. Malice, either actual or inferred, is an essential element.

While the evidence was sufficient to show negligence on the part of the defendant, we find nothing that would justify

an inference of malice. Under the circumstances of this case, the failure of defendant's employees to perform all the fume checks that they were assigned was certainly careless, perhaps even grossly negligent, but not malicious. There is no evidence that the defendant displayed "reckless disregard" toward any of the claimed defects in its safety system. We therefore hold that insufficient evidence existed to permit the jury to consider awarding punitive damages. Accordingly, the new trial that we order will be restricted to the issues of liability and compensatory damages.

[8] The court's charge on punitive damages did not expressly include the inferred malice requirement. Although now a moot issue in this case, we believe that it is the better practice for the federal courts to use the state approved instructions

in diversity cases. Arkansas Model Instruction 2217 has been approved by the Arkansas courts. *Decker v. Gibbons*, 250 Ark. 1045, 468 S.W.2d 252 (1971).

IV

For the above reasons, the judgment of the district court is REVERSED AND REMANDED for a new trial in accordance with this opinion.

All Citations

790 F.2d 552, 20 Fed. R. Evid. Serv. 964

TTAB Case Law Database, In re Wright Medical Technology, Inc., U.S. Patent and Trademark Office, Trademark Trial and Appeal Board, (Oct. 30, 1998)

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In re Wright Medical Technology, Inc.

U.S. Patent and Trademark Office, Trademark Trial and Appeal Board . Serial No. 75/024,024 . October 30, 1998 .

THIS DISPOSITION IS NOT CITABLE AS PRECEDENT OF THE T.T.A.B.

Russell H. Walker of Walker McKenzie & Walker, P.C. for Applicant.

Tina L. Snapp, Trademark Examining Attorney, Law Office 105 (Thomas G. Howell, Managing Attorney).

Before Hohein, Chapman and Bucher, Administrative Trademark Judges.

Opinion by Bucher, Administrative Trademark Judge:

Applicant, Wright Medical Technology, Inc., has filed an application for registration of the mark "EXTEND" for "medical apparatus, namely, orthopedic hip implants."¹

The Trademark Examining Attorney issued a final refusal to register based upon Section 2(d) of the Trademark Act, 15 U.S.C. §1052(d), on the ground that applicant's proposed mark, "EXTEND," when used on orthopedic hip implants, so resembles the registered mark, "X-TEND" for "carpal tunnel supports, elbow supports, thumb/wrist supports, back braces, all for medical or therapeutic use,"² as to be likely to cause confusion, or to cause mistake, or to deceive.

Applicant has appealed the final refusal to register. Briefs have been filed but applicant did not request an oral hearing. We reverse the refusal to register.

With respect to the refusal on the ground of likelihood of confusion, applicant asserts that the chances for confusion are remote because the respective goods are used in different medical specialties; that those who prescribe these goods are extremely sophisticated; and, that, in reality, the products are so very different that one can conclude there is no overlap in the channels of trade for these respective goods. Furthermore, applicant notes that the trademarks are different as to spelling and appearance.

The Trademark Examining Attorney contends that the goods of both parties are medical devices in the nature of orthopedic products. The Examining Attorney concedes that applicant's target audience may be narrower than that of registrant. However, according to the Examining Attorney, there is a strong presumption that applicant's goods will be marketed, for example, to purchasing agents in hospitals, as would registrant's goods. Such a medical professional might reasonably believe that a manufacturer offering a product like orthopedic hip implants might also sell back braces and external support devices for the extremities. Finally, the Trademark Examining Attorney points out that even sophisticated purchasers can be confused by identical or highly similar trademarks. Consequently, the Examining Attorney finds that hip implants are so closely related to back braces and external medical/therapeutical support devices that confusion as to the origin or affiliation of the respective goods is likely to occur.

In the course of rendering this decision, we have followed the guidance of *In re E. I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1362, 177 USPQ 563, 567-68 (CCPA 1973), which sets forth the factors which, if relevant, should be considered in determining likelihood of confusion.³

As has often been stated, it is well settled that goods need not be identical or even competitive in nature in order to support a finding of likelihood of confusion. Instead, it is sufficient that the goods are related in some manner and/or that the circumstances surrounding their marketing are such that they would be likely to be encountered

by the same persons under situations that would give rise, because of the marks employed thereon, to the mistaken belief that they originate from or are in some way associated with the same producer. *See, e.g., Monsanto Co. v. Enviro-Chem Corp.*, 199 USPQ 590, 595-96 (TTAB 1978) and *In re International Telephone & Telegraph Corp.*, 197 USPQ 910, 911 (TTAB 1978). Here, however, the precision medical apparatus manufactured and sold by applicant is a very specialized device. Orthopedic surgeons comprise applicant's target audience. Even if hospital purchasing agents and administrators are the professionals placing the order in a given medical facility, they would do so only as directed by the attending orthopedic implant surgeon.

According to applicant, registrant designs, manufactures and markets medical and therapeutical devices. This type of product is prescribed by physicians, fitted by therapists specializing in rehabilitation, and should be available at retail to members of the general public (e.g., in one's local pharmacy). Registrant's listed items tend to be less expensive than applicant's goods, as manufactured they are fungible, they are intended for external support only, and according to applicant, would not be prescribed by an orthopedic surgeon. Conversely, applicant points out the obvious — that physicians or therapists who specialize in occupational medicine and use registrant's therapeutic products would not be involved in the decisions surrounding hip replacement surgery. (Applicant's brief, pp. 3-4)

The record includes printouts of seven federal trademark registrations where goods resembling those of applicant and registrant are listed on the same certificate. These third-party registrations are submitted as evidence of the asserted relatedness of the respective parties' goods involved herein. While we have considered the evidence of these third-party registrations, its probative value is limited.

On the one hand, these registrations do show that seven entities have registered their marks for goods of the type recited by applicant and for goods listed by registrant. Registrations which individually cover a number of different items and which are based on use in commerce may have some probative value. Their value is the suggestion that the listed goods are of a type that may well emanate from a single source.

On the other hand, no third-party registration demonstrates that the marks shown therein are in commercial use. Federal trademark registrations do not prove that members of the relevant public are familiar with the marks.

Furthermore, third-party registrations that issued under Section 44(e) of the Act, 15 U.S.C. §1126 (e), without any use in commerce basis, have almost no persuasive value. In the instant case, three of the seven third-party registrations made of record by the Trademark Examining Attorney issued under the provisions of Section 44(e) of the Act, based only upon ownership of a foreign registration. Such registrations have very little, if any, persuasive value on the point for which they were offered. *In re Albert Trostel & Sons Co.*, 29 USPQ2d 1783 (TTAB 1993), and cases cited therein.

The Trademark Examining Attorney is correct that both parties' products are medical devices in the field of orthopedics. Otherwise, applicant's goods are significantly different from registrant's goods. They are quite different in the manner in which they function and the ways in which they are intended to be utilized.

That both parties are marketing orthopedic devices does not mandate a finding that the products are related or that confusion is likely. After all, the medical community is not a homogeneous whole. Rather, hospitals and other medical facilities comprise separate departments having diverse purchasing requirements. As noted in *Astra Pharmaceutical Products, Inc. v. Beckman Instruments, Inc.*, 718 F.2d 1201, 220 USPQ 786, 791 (1st Cir. 1983), these departments constitute different markets for the parties' respective products.

We find that this case does not reflect any meaningful overlap in the channels of trade. The Examining Attorney's conclusions seem at odds with the real-world purchasing decisions as outlined by applicant. We conclude that the parties' respective products are different, with distinct channels of trade.

Unlike registrant's products, applicant's products are "fitted" by a specialized surgeon in hospital operating rooms or other in-patient critical care settings. Registrant's goods are functionally quite different. They would almost always be fitted in an outpatient setting. They are used primarily in the field of occupational medicine, by medical doctors specializing in rehabilitation medicine and by other clinicians in related fields.

The Board is convinced that orthopedic hip implantation is a highly specialized medical area. The applicant and the Trademark Examining Attorney agree that the purchaser⁴ for the purposes of trademark analysis comprises a most sophisticated market. There may be nuances of difference in their conclusions as to which professional on the hospital team chooses among competing vendors of this type of medical apparatus. In any event, a small and select group of medical professionals “the orthopedic surgeon, operating room nurse supervisors and hospital administrators or purchasing agents or committees” decides which firm or firms will be supplying the implants. As applicant has pointed out, ultimately the critical recommendation, if not the final decision, is made by the surgeon.

Orthopedic surgeons are well informed and discriminating a most sophisticated group of consumers who use great care in deciding the source of such an item.⁵ It seems to go without need for citation that surgeons would not purchase EXTEND brand hip replacement implants on an impulse, but only after deliberate and careful consideration, knowing exactly with whom they are dealing. Conversely, applicant argues that orthopedic surgeons would not prescribe registrant's therapeutic devices.

While the record is less clear about the exact type of professionals making the purchasing decisions involving registrant's goods, buyers of registrant's goods are also highly educated, sophisticated purchasers who know their equipment needs and would be expected to exercise a great deal of care in its selection.

Applicant argues that it sells and advertises its products only to the narrowest of markets. As far as the instant products are concerned, applicant has a niche market and targets orthopedic surgeons through professional magazines, medical conferences, etc. Since as discussed earlier, registrant has quite a different market, we conclude that the parties have disparate channels of trade.

The realities of the relevant marketplace make confusion of the marks for these dissimilar goods decidedly unlikely. The potential number of customers who would be dealing with both companies in two separate, specialized medical areas is minuscule or even non-existent. We find that any overlap in customers is too small to be significant. Inasmuch as this small population consists entirely of highly educated, sophisticated, healthcare professionals any potential overlap is not dispositive in this case.

This brings us to consideration of the parties' marks. The applicant and the Trademark Examining Attorney also disagree over just how significant are the similarities or differences in the two marks.

Registrant's mark is “X-TEND.” Arguably, registrant's mark would be pronounced the same as if it comprised the word “extend.” Applicant has adopted the mark “EXTEND,” an ordinary word in the English language, used here in a somewhat suggestive manner for hip implants. Considering the marks in their entirety, applicant's mark and registrant's mark are identical phonetically but different in appearance. As noted above, even if there should be a remote chance of some overlapping of ordering personnel in the hospital setting, these are not items where the purchasing transactions would be completed orally.

The target audience for applicant's medical appliances comprises sophisticated medical professionals. Hence, the fact that the marks “EXTEND” and “X-TEND” differ in appearance mitigates against a finding of likelihood of confusion. The sophisticated buyers “physicians and/or hospital purchasing agents” would readily recognize the difference in the appearance of the marks if she or he is acquainted with one mark and subsequently sees the other.

A decade ago, the Board had occasion to decide another case where the first syllable of the two-syllable marks differed visually in a remarkably similar way to these two marks. In *Information Resources Inc. v. X*Press Information Services*, 6 USPQ2d 1034 (TTAB 1988), the Board held that the simultaneous use of the mark “EXPRESS” on information software and the mark “X*PRESS” for service comprising the transmittal of information to computers — *expensive items purchased with care and thought* “is not likely to result in confusion, since *inter alia*, the marks *differ significantly in appearance* (emphasis supplied). More recently, the Board found that two marks of quite similar appearances “DIGIRAD” and “DIGIRAY” — would not result in a likelihood of confusion although both were being used on medical equipment sharing many of the same characteristics.⁶ In

the intervening decade, our principal reviewing court reached a consistent result in an *inter partes* contest, also in the medical field (*E.D.S. v. EDS*).⁷

Given the differences in the nature of the respective goods; the differing marketing and trade channels involved; the sophistication of the medical professionals especially physicians; the narrow scope of applicant's goods; and the *de minimus* chance of any potential overlap in the respective customers, we find that the respective marks are not so similar that confusion as to the origin or affiliation of applicant's and registrant's medical equipment would be likely to occur.

Accordingly, we find no likelihood of confusion between applicant's mark "EXTEND," for orthopedic hip implants and registrant's mark "X-TEND" for carpal tunnel supports, thumb/wrist supports, and back braces for medical and therapeutic use.

Decision: The refusal to register is reversed.

Footnotes

- 1 Serial No. 75/024024, in International Class 10, filed November 17, 1995, based on an allegation of a *bona fide* intention to use the mark in commerce.
- 2 Reg. No. 1,707,740, issued August 18, 1992; §8 affidavit accepted §15 affidavit received.
- 3 We have not considered the declaration of Mr. Thomas M. Patton, applicant's President and Chief Executive Officer, filed with the reply brief, since the Patton declaration is untimely under Trademark Rule 2.142(d).
- 4 The ultimate "consumer" of applicant's device is hoping to get a working hip she/he is not buying a medical apparatus. Cf. *Continental Plastic Containers Inc. v. Owens-Brockway Plastic Products Inc.*, 141 F.3d 1073, 46 USPQ2d 1277 (Fed. Cir. 1998). The hip implant patient is technically the end-user of these sophisticated medical devices and related healthcare services. In most cases, the patient will have chosen a medical facility or surgeon based upon the reputation of the unit, or even the renown of a particular orthopedic surgeon. It would stretch credulity to believe that patients fitting the general profile of candidates for hip replacement surgery are involved in comparison shopping among manufacturers of such specialized medical apparatus.
- 5 Our principal reviewing court has held that when the goods of both parties are sophisticated medical equipment, they would be selected with great care by purchasers familiar with the source or origin of the products. See *In re N.A.D. Inc.*, 754 F.2d 996, 224 USPQ 969, 971 (Fed. Cir. 1985).
- 6 The Board found no likelihood of confusion between applicant's DIGIRAD mark intended to be used on nuclear imaging equipment, and registrant's DIGIRAY and design mark, used on x-ray imaging equipment. These goods were found not to be closely related given the differences in relevant purchasers of these goods, the sophistication of those purchasers, the care with which such products are purchased, and the relative expense of both products. The Board reached this conclusion even though both x-ray imaging and nuclear imaging are medical diagnostic technologies, both technologies involve use of a form of radiation, and both types of imaging may be performed on patients during diagnosis and/or treatment of an illness or injury. *In re Digirad Corp.*, 45 USPQ2d 1841 (TTAB 1998).
- 7 The Court found no likelihood of confusion between "E.D.S.," for battery chargers and power supplies incorporated into medical instruments, and "EDS," for computer services sold to customers, *inter alia*, in the medical field, noting that the purchasers are substantially different and are usually sophisticated. *Electronic Design & Sales Inc. v. Electronic Data Systems Corp.*, 21 USPQ2d 1388 (Fed. Cir. 1992).

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

In the matter of Application Serial No.: 85/806,379
Filed: December 19, 2012
For the mark: HOLAIRA
Published in the *Trademark Official Gazette* on December 3, 2013

Boston Scientific Corporation and
Asthmatx, Inc.

Opposition No. 91215699

Opposers,

v.

**AFFIDAVIT OF SERVICE
BY UNITED STATES MAIL**

Holaira, Inc.

Applicant.

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

Dennis E. Hansen, being first duly sworn upon oath, states that on November 17, 2015,
he served the attached:

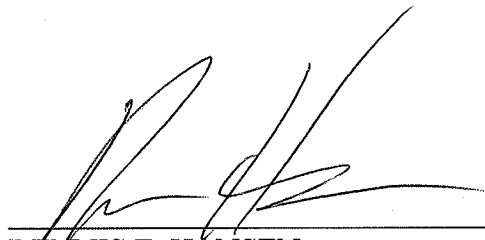
1. Confidential and Non-Confidential versions of Holaira Inc.'s Trial Brief and Appendix 1;
2. Confidential and Non-Confidential versions of Applicant's Response to Opposers' Evidentiary Objections and Applicant's Objections to Opposers' Evidence; and

3. The Affidavit of Dennis E. Hansen submitted as Appendix 1 to Applicant's Response to Opposers' Evidentiary Objections and Applicant's Objections to Opposers' Evidence,


upon the within named counsel by United States Mail, using an envelope addressed as set forth below, with postage prepaid, and depositing the same in the United States Mail at Minneapolis, Minnesota:

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DENNIS E. HANSEN

Subscribed and sworn to before
this 17th day of November, 2015


Notary Public – Minnesota
My Commission Expires Jan. 31, 2020

